

**DIRECT TESTIMONY
OF
IRIS N. GRIFFIN**

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DIRECT TESTIMONY

OF

IRIS N. GRIFFIN

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2017-370-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. I am Iris N. Griffin, Senior Vice President, Chief Financial Officer (“CFO”), and Treasurer of SCANA Corporation (“SCANA”) and South Carolina Electric & Gas Company (“SCE&G” or collectively the “Company”). My business address is 220 Operation Way, Cayce, South Carolina.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a Certified Public Accountant (“CPA”) licensed in South Carolina, and I have a Master of Accountancy degree from the University of South Carolina. My undergraduate degree is also from the University of South Carolina. Prior to joining SCANA, I worked with the accounting firms of Ernst & Young LLP and Scott McElveen, LLP. I joined SCANA Corporation as an auditor in 2003. Since that time I have held various

1 positions with the company including Senior Accountant in the Rates and
2 Regulatory Affairs Department; Manager of Investor Relations; and Audit
3 Services, Privacy and Corporate Compliance Officer for SCANA. In 2016,
4 I became Vice President of Finance and Treasurer. I assumed my current
5 role in 2018.

6 **Q. WHAT ARE YOUR DUTIES WITH SCE&G?**

7 A. As Senior Vice President, CFO, and Treasurer of SCE&G, I am
8 responsible for monitoring the Company's present and prospective financial
9 condition, for formulating strategies to finance the Company's operations,
10 and for managing all accounting and financial matters related to the
11 Company. In the ordinary course of my work, I regularly receive feedback
12 from members of the financial community, including the Wall Street analysts
13 and credit rating agency personnel who follow the electric utility industry in
14 general and SCE&G specifically. This feedback includes their perceptions
15 and concerns about the Company, its financial and business position, the
16 capital markets, and the utility industry overall. We also discuss the various
17 risk factors that the Company faces, as seen by investors. I am also regularly
18 involved in discussions with underwriters and other experts regarding
19 investors' perspectives on the Company, particularly as those perspectives
20 can influence the issuance or refinancing of debt and the issuance of new
21 common stock.

1 **Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE**
2 **COMMISSION OF SOUTH CAROLINA (“COMMISSION”)**
3 **BEFORE?**

4 A. No.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. The purpose of my testimony is to provide an overview of the
8 Company’s finances and its financial position and to discuss certain tax
9 matters associated with proposed accounting adjustments. I explain how the
10 Company’s finances are structured and the importance of maintaining the
11 Company’s access to capital markets, so that it can continue to do its jobs of
12 providing reliable and efficient utility service to customers and supporting
13 economic development in the State of South Carolina. My testimony
14 explains why, as a standalone business, it would be unduly risky or
15 financially impractical for the Company to offer benefits to customers
16 equivalent to those offered by Dominion Energy, Inc. (“Dominion Energy”).

17 There are three regulatory plans set forth in the Joint Petition. My
18 testimony explains the financial results that would be achieved under each of
19 those three plans. It also shows the results that would be achieved if Act No.
20 258 was implemented on a permanent basis.

21 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

- 1 A. My testimony is organized into the following sections:
- 2 I. Scana and SCE&G's Financial Structure
- 3 II. Meeting On-going Cash Needs
- 4 III. The Effect on SCE&G of Losing Access to Short-Term Markets
- 5 IV. The importance of Credit Ratings
- 6 V. The Effects of the Downgrade on Commercial Paper Markets and
- 7 Trade Credit
- 8 VI. Current Ratings and the Outlook for Future Downgrades
- 9 VII. The Financial Impact of Proposed Plans
- 10 VIII. SCANA Dividend Payments in 2018
- 11 IX. Toshiba Monetization
- 12 X. Tax Matters
- 13 XI. Conclusion.

14 **Q. PLEASE REVIEW THE EXHIBITS THAT YOU ARE SPONSORING**

15 **WITH YOUR TESTIMONY.**

16 A. Attached to my testimony are the following exhibits:

17 [Chart A begins on following page]

18

19

20

21 **CHART A**

Exhibit No.	Joint Petition Exhibit No.	Description
<i>Exhibit __ (ING-1)</i>	Joint Petition Exhibit 14 updated to December 31, 2017	Financial Results for Retail Electric Operations Under the Customer Benefits Plan
<i>Exhibit __ (ING-2)</i>	Joint Petition Exhibit 15 updated to December 31, 2017	Financial Results for Retail Electric Operations Under the No Merger Benefits Plan
<i>Exhibit __ (ING-3)</i>	Joint Petition Exhibit 16 updated to December 31, 2017	Financial Results for Retail Electric Operations Under the Base Request
<i>Exhibit __ (ING-4)</i>	N/A	Financial Results for Retail Electric Operations Under the Act No. 258 Rate Reduction

I. SCANA AND SCE&G'S FINANCIAL STRUCTURE

Q. PLEASE EXPLAIN HOW SCE&G AND SCANA ARE STRUCTURED FROM A FINANCIAL STANDPOINT.

A. SCE&G typically issues its own short-term and long-term debt to support utility operations, and to pay for the natural gas it supplies to its gas distribution customers and uses for electric generation purposes. A separate SCANA subsidiary, South Carolina Fuel Company, Inc. ("FuelCo"), acquires and finances certain fossil fuels, nuclear fuel, emission allowances, and other environmental allowances used by SCE&G in generating electricity. FuelCo buys and finances these assets on SCE&G's behalf and sells them to SCE&G.

1 Another SCANA subsidiary, South Carolina Generating Company,
2 Inc. (“GENCO”) owns and finances Williams Station, a coal fired generating
3 station which is located in Bushy Park, South Carolina, near Charleston.
4 SCE&G operates Williams Station for GENCO and GENCO’s generation is
5 sold solely to SCE&G under a Federal Energy Regulatory Commission
6 (“FERC”) approved tariff under the terms of a power purchase agreement.

7 Concerning equity financing, SCE&G has no publicly traded common
8 stock. When additional equity is required at SCE&G, SCANA provides that
9 equity in the form of cash infusions or through retained earnings.

10 II. MEETING ON-GOING CASH NEEDS

11 Q. HOW DOES SCE&G OBTAIN CASH TO SUPPORT ITS DAY-TO- 12 DAY OPERATIONS?

13 A. To support its day-to-day cash needs, SCE&G and FuelCo issue short-
14 term debt. That debt usually takes the form of commercial paper, which is
15 typically sold in the market at maturities of 30 days or less. FuelCo repays
16 its short-term debt using the cash it receives from SCE&G as fuel is
17 consumed. Both SCE&G and FuelCo are regularly in the day-to-day
18 commercial paper market to meet their need for cash and to refinance
19 commercial paper as it comes due.

20 Q. WHAT CREDIT FACILITIES SUPPORT THE MARKETABILITY 21 OF THIS COMMERCIAL PAPER?

1 A. SCE&G maintains two short-term credit facilities, each of which is
2 backed by a specific group of banks. One credit facility is for \$200 million
3 and terminates later this year. The other is for \$700 million and terminates
4 in 2020. FuelCo has a short-term credit facility of \$500 million, which also
5 terminates in 2020.

6 **Q. WHAT CHANGES HAVE YOU SEEN IN THE INTEREST RATES**
7 **ON THIS COMMERCIAL PAPER AND ON THESE CREDIT**
8 **FACILITIES?**

9 A. The interest rates on the commercial paper issued by SCE&G and
10 FuelCo have both seen substantial increases as a result of Fitch, Standard &
11 Poor's, and Moody's downgrading SCANA's and SCE&G's credit ratings.
12 Prior to Moody's downgrade on February 5, 2018, SCE&G issued
13 commercial paper at a 1.95% interest rate, and FuelCo issued commercial
14 paper at a 2.03% interest rate. Immediately after that February 5 downgrade,
15 those rates increased by 13% (to 2.20%) and 18% (to 2.40%), respectively.
16 These increases in rates are indicative of the sorts of increases that could
17 spread through the companies' finances if creditworthiness continues to
18 deteriorate.

19

20 **Q. WHAT IS THE FUNCTION OF THE CREDIT FACILITIES?**

1 A. The credit facilities allow SCE&G and FuelCo to borrow funds on
2 short notice under revolving loans at rates indexed to Prime or LIBOR plus
3 a premium, which varies according to the credit rating of SCE&G or FuelCo
4 at the time. SCE&G and FuelCo can use their credit facilities to meet cash
5 needs directly if credit developments at either company, or adverse
6 conditions in the market, make it difficult or expensive for SCE&G and
7 FuelCo to issue commercial paper. For example, these credit facilities were
8 used to meet cash needs during the 2008 U.S. financial crisis when the
9 markets for commercial paper were largely closed. In addition, these credit
10 facilities support the marketability of commercial paper by assuring the
11 buyers of that commercial paper that SCE&G or FuelCo will have access to
12 cash to repay them when the commercial paper becomes due. Without such
13 assurance, it would not be possible for SCE&G or FuelCo to market
14 commercial paper as they do today because the risks to buyers would be too
15 great.

16 **Q. ARE THERE LIMITS TO THE AMOUNT OF DEBT SCE&G AND**
17 **FUELCO CAN INCUR UNDER THEIR SHORT-TERM CREDIT**
18 **FACILITIES?**

19 A. As mentioned above, SCE&G's short-term credit facilities contain
20 borrowing limits of \$200 million for one and \$700 million for the other.
21 FuelCo's short-term credit facility contains a borrowing limit of \$500

1 million. In addition, both companies are only allowed to have six individual
2 borrowings outstanding under each credit facility at any time. Furthermore,
3 the short-term credit facilities have covenants which, if violated, prevent
4 SCE&G and FuelCo from accessing those facilities. Covenants in the credit
5 facilities allow SCE&G and FuelCo to have no more than 70% debt to total
6 capitalization and require notice to lenders of any material adverse events
7 affecting the borrowers. The lenders may declare default if they believe the
8 material adverse event is sufficiently serious to justify doing so.

9 **Q. WHAT HAPPENS WHEN SHORT-TERM BORROWING IS**
10 **REFINANCED ON A LONGER-TERM BASIS?**

11 A. FuelCo repays its short-term debt as SCE&G pays FuelCo for the fuel
12 it purchases. When the amount of short-term borrowing issued by SCE&G
13 is sufficient to support floating a new series of a long-term debt, or when the
14 amount of short-term borrowing begins to reach the upper limits of what the
15 credit facilities can support, SCE&G issues long-term debt, typically in the
16 form of first mortgage bonds. These are bonds secured by SCE&G's electric
17 utility property. The proceeds of these first mortgage bonds are then used to
18 retire some or all of the short-term debt which had financed SCE&G's
19 operations during the period since the last first mortgage bonds were issued.

20 **Q. AS A PRACTICAL MATTER, WHAT IS THE MINIMUM SIZE FOR**
21 **ISSUING A NEW SERIES OF LONG-TERM DEBT?**

1 A. SCE&G typically issues bonds in amounts of at least \$300 million so
2 that they are index eligible and, therefore, are more marketable to investors.

3 **Q. IS THERE A LIMIT TO HOW MUCH LONG-TERM DEBT SCE&G**
4 **CAN SUSTAIN?**

5 A. To maintain its creditworthiness, SCE&G must balance the long-term
6 debt that it issues with equity. SCE&G targets a capital structure that is
7 between 50% and 55% equity. Furthermore, throughout the course of the
8 new nuclear development project (“NND Project”), SCE&G has endeavored
9 to finance its new nuclear construction investment using approximately 50%
10 debt and 50% equity.

11 SCE&G is also limited in the total amount of long-term debt that it
12 can issue by the amount of collateral available to secure that debt. The
13 abandonment of the NND Project has reduced the amount of collateral
14 considerably because the NND investment no longer can be counted as
15 collateral.

16 **Q. HOW DOES SCE&G MAINTAIN AN APPROPRIATE DEBT TO**
17 **EQUITY BALANCE?**

18 A. If additional equity is needed at SCE&G, SCANA provides it, either
19 in the form of equity infusions or retained earnings. The funds for these
20 equity infusions are typically generated by SCANA issuing new shares and
21 investing their proceeds in SCE&G. SCANA may also sell assets and

1 reinvest the cash proceeds in SCE&G. This occurred when SCANA sold
2 Carolina Gas Transmission Company and SCANA Communications in 2015
3 and invested approximately \$200 million of those proceeds as new equity in
4 SCE&G to support the NND Project.

5 **Q. PLEASE EXPLAIN WHY SCE&G REQUIRES ONGOING ACCESS**
6 **TO CAPITAL MARKETS TO SUPPORT ITS DAY-TO-DAY**
7 **OPERATIONS.**

8 A. SCE&G serves a growing service territory in a capital-intensive
9 business. To meet the needs of its customers, SCE&G typically invests
10 approximately \$500 million of new capital in its utility businesses in South
11 Carolina each year. This is the amount of ordinary capital investment that
12 SCE&G makes in its utility systems to support routine operations. It does not
13 include investments in major projects like the NND Project or other new
14 generation projects.

15 SCE&G must go into the short-term corporate debt markets to obtain
16 the necessary cash to support this level of investment. Without access to these
17 short-term markets, SCE&G cannot finance its day-to-day utility operations.

18 **Q. IN PRACTICAL TERMS, WHAT DO YOU MEAN WHEN YOU SAY**
19 **THAT SCE&G MUST HAVE ACCESS TO SHORT-TERM**
20 **MARKETS TO FINANCE ITS UTILITY OPERATIONS?**

1 A. SCE&G uses cash it obtains from short-term markets to make payroll,
2 to pay for ordinary operating and maintenance expenses, to purchase
3 equipment, supplies, and materials, and to pay for the natural gas that SCE&G
4 provides to its gas distribution customers and for electric generation purposes.
5 FuelCo uses cash from short-term markets to pay for the fuel and emission
6 allowances that it supplies SCE&G to generate electricity.

7 **Q. WHY DO REVENUES FROM EXISTING RATES NOT COVER THE**
8 **COST OF THESE ITEMS?**

9 A. When SCE&G purchases or builds capital assets, the required cash
10 leaves the Company immediately. Utility rates, however, only allow
11 SCE&G to recover that cash over the useful lives of the assets that it has
12 purchased or built through depreciation. Those useful lives are often
13 measured in decades. In the meantime, investors must finance all or part of
14 the money that SCE&G spends on capital assets between the date of purchase
15 and the date the assets are fully depreciated. From a cash standpoint, this
16 means that only a fraction of the cost of SCE&G's cash expenditures on its
17 utility system is recovered through rates in any given year. The balance must
18 be financed either by lenders who provide debt financing or by investors who
19 invest in the Company's equity.

20 **Q. CAN YOU PROVIDE AN EXAMPLE OF HOW THIS WORKS?**

1 A. Yes. Take the case of an asset with a 20-year useful life. SCE&G pays
2 100% of the cash price for that asset when it is acquired, but ratemaking only
3 allows SCE&G to recover 1/20 (5%) of the cost of that asset through
4 depreciation each year. The balance must be financed either through debt or
5 equity until the asset is fully depreciated.

6 **Q. CAN SCE&G OPERATE ITS SYSTEM IN A WAY THAT AVOIDS**
7 **INCURRING CAPITAL COSTS?**

8 A. SCE&G can avoid or delay only a portion of its on-going capital
9 expenses and only for a limited time, until the lack of investment begins to
10 cause operational problems.

11 For example, SCE&G makes a capital investment in its utility systems
12 whenever it:

- 13 • Designs and constructs facilities to serve new customers;
- 14 • Repairs or replaces equipment that is failing at a plant or in the
15 field;
- 16 • Upgrades facilities to meet increasingly stringent environmental
17 requirements or to improve reliability;
- 18 • Upgrades computer systems and cyber security defenses;
- 19 • Replaces vehicles and equipment; and
- 20 • Rebuilds lines after storms.

1 The costs of these activities are capital costs, and they are not optional if
2 SCE&G is to provide reliable and efficient service to customers. As a result,
3 a large percentage of SCE&G's capital spending is embedded in SCE&G's
4 day-to-day utility operations. This spending cannot be easily turned on and
5 off at will, as we have an obligation to serve our customers.

6 **Q. ARE SCE&G'S LABOR COSTS FULLY RECOVERED IN THE**
7 **YEAR THEY ARE PAID?**

8 A. No. Approximately 30% of SCE&G's labor costs are for work done
9 on capital projects that must be recovered over the useful lives of the assets
10 acquired. For that reason, investors must finance a significant portion of
11 SCE&G's monthly payroll costs just as they do other capital expenditures.

12 **Q. ON AVERAGE, WHAT AMOUNTS OF CASH DO SCE&G AND**
13 **FUELCO NEED TO GENERATE FROM SHORT-TERM**
14 **BORROWING TO SUPPORT ONGOING OPERATIONS?**

15 A. That amount varies from week-to-week, but on average, SCE&G and
16 FuelCo historically use the short-term capital markets to issue or refinance
17 several hundred million dollars of debt per month.

18 **Q. WHAT HAS BEEN SCE&G'S LEVEL OF SHORT TERM**
19 **BORROWING IN RECENT MONTHS?**

20 A. SCE&G was able to retire its outstanding short-term debt during the
21 fourth quarter of 2017 and avoid issuance of new short-term debt in early

2018, following its receipt of the proceeds from the Toshiba Corporate Guarantee Settlement Payment and the proceeds of certain interest rate swaps, which had been entered into in anticipation of further borrowing and have since been liquidated. Receipt of the resulting cash reduced SCE&G's exposure to the short-term debt market for a time, and allowed SCE&G to avoid the need to issue long-term debt or equity under current conditions. At present, SCE&G and FuelCo are collectively issuing or refinancing approximately \$200 million to \$300 million per month in short-term debt. That amount is expected to grow over time as new capital expenditures are made.

Q. IS SCE&G CURRENTLY PLANNING TO ISSUE ANY LONG-TERM BONDS?

A. In November 2018, \$550 million of SCE&G's first mortgage bonds will become due for repayment and will need to be refinanced.

III. THE EFFECT ON SCE&G OF LOSING ACCESS TO SHORT-TERM MARKETS

Q. WHAT WOULD BE THE RESULT IF SCE&G LOST ACCESS TO SHORT-TERM CAPITAL MARKETS AND ITS CREDIT FACILITIES?

A. As mentioned above, without access to short-term borrowing, SCE&G would not have the cash needed to meet its ongoing expenses, including payroll, fuel costs, and the other expenses. An acute liquidity crisis

1 would result. Existing suppliers and contractors could withdraw trade credit
2 from SCE&G. They could decide to sell to SCE&G and FuelCo only against
3 cash, cash collateral, or other “adequate assurances” of payment. This would
4 itself create an additional need for cash that SCE&G might be unable to meet.
5 A number of SCE&G’s contracts with suppliers of coal and natural gas allow
6 them to demand cash collateral or other adequate assurances of payments if
7 SCE&G’s credit ratings drop.

8 **Q. WHAT OPTIONS WOULD SCE&G HAVE TO DEAL WITH A**
9 **LIQUIDITY CRISIS?**

10 A. In the event of a liquidity crisis, SCE&G might be able to obtain credit
11 through private equity markets or other crisis lenders. These lenders
12 typically charge rates that include a high interest rate to compensate them for
13 the risks being assumed. Borrowing at such high interest rates would put
14 further pressure on SCE&G’s cash resources to make the higher interest
15 payments. The cost of serving customers could also increase because
16 SCE&G’s cost of capital could increase dramatically.

17 Alternatively, a liquidity crisis could be resolved by filing bankruptcy
18 and using the protection of the bankruptcy code to obtain new credit to
19 support ongoing operations. This too would involve borrowing at increased
20 rates. It would also involve large legal, accounting, and consulting expenses.
21 In addition, bankruptcy would disrupt SCE&G’s finances and its ability to

1 invest in its system, possibly for an extended period of time, as Ms. Lapson
2 testifies. In any case, the increased capital costs would become embedded in
3 SCE&G's cost structure and would be passed on to customers in the form of
4 increased rates for many years going forward.

5 **IV. THE IMPORTANCE OF CREDIT RATINGS**

6 **Q. WHAT ARE THE PRINCIPAL INDICATORS TO INVESTORS AND**
7 **LENDERS OF SCE&G'S CREDITWORTHINESS?**

8 A. The principal indicators of SCE&G's creditworthiness to investors
9 and lenders are the ratings issued by the ratings agencies Moody's, Standard
10 & Poor's, and Fitch.

11

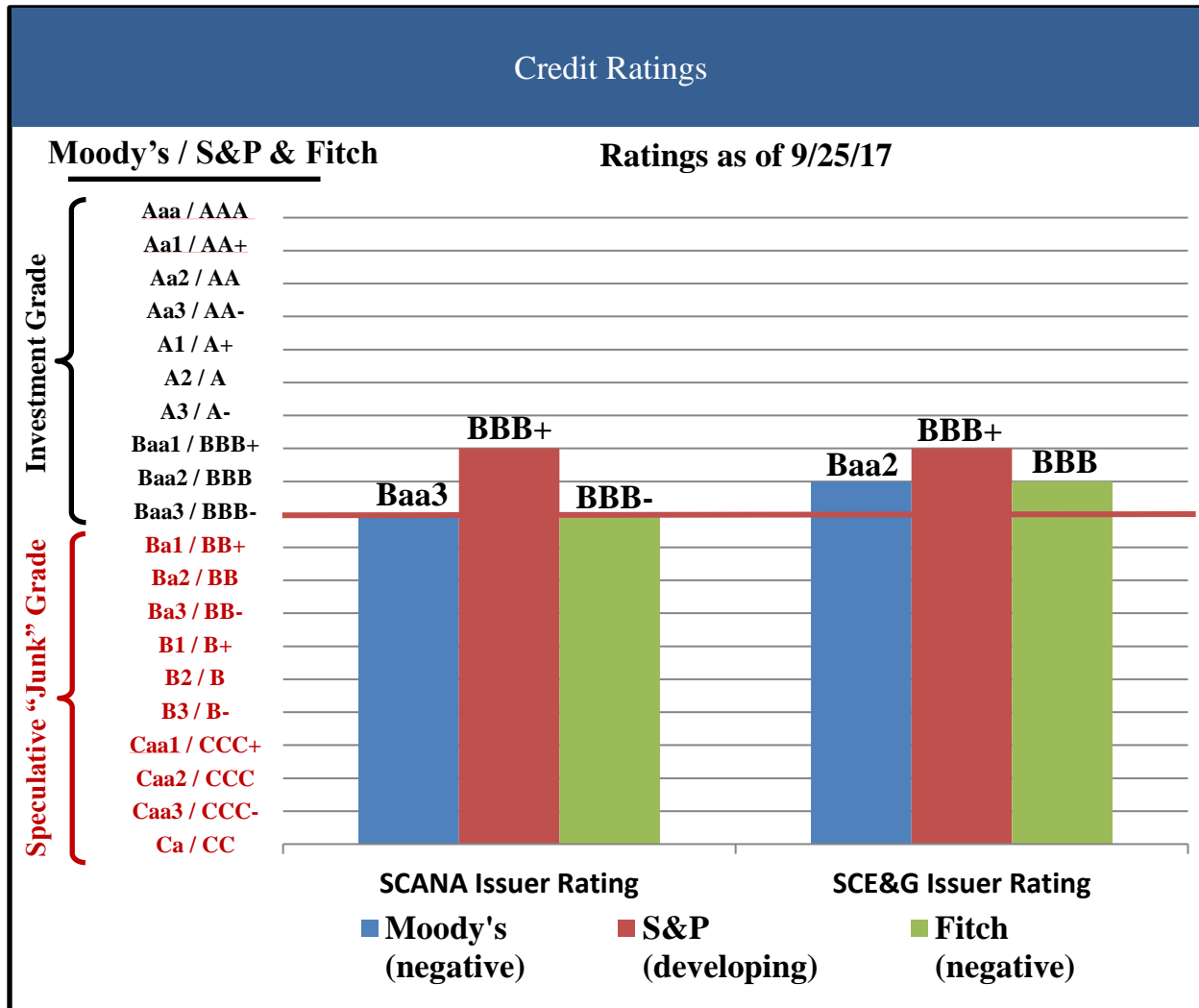
12

13

14 **Q. WHAT WERE SCE&G'S BOND RATINGS IN LATE SEPTEMBER**
15 **OF 2017?**

16 A. In late September of 2017, SCE&G's and SCANA's issuer ratings
17 were:

1

Chart B

2

3

4 **Q. WHERE DO THESE RATINGS FALL WITHIN THE SCALE OF**

5 **RATINGS?**

6 **A.**

7 Each of the three rating agencies uses a scale that rates investment-

8 grade credit in various ratings or “notches.” Those investment grade ratings

9 begin at Aaa for Moody’s and AAA for Standard & Poor’s and Fitch. They

end at Baa3 for Moody’s and BBB- for Standard & Poor’s and Fitch. To fall

1 below investment grade means that the rating agency has determined that
2 there is an increased likelihood of an investor not being paid the interest and
3 principal due on the issuer's obligations. The issuer rating is the most
4 indicative and commonly referenced rating for a company and is often used
5 in the covenants of commercial contracts. As Chart B shows, all of
6 SCANA's and SCE&G's credit ratings were investment grade as of
7 September 25, 2017.

8 **Q. WHAT DID THESE RATINGS MEAN TO FINANCIAL MARKETS?**

9 A. These ratings indicated to the financial markets that, although
10 SCE&G and SCANA were not rated at the top of the rating scale for
11 investment grade credits, neither were rated as speculative.

12 **Q. WHY IS AN INVESTMENT GRADE RATING IMPORTANT?**

13 A. A broad group of funds and institutional investors cannot invest in the
14 debt or equity of companies that are not rated as investment-grade credits
15 because those investments are considered to be too risky. Investment
16 policies or organizational documents prohibit such investments. Some
17 investment policies may trigger a prohibition in ownership if one rating is
18 below investment grade. Some policies may trigger the prohibition if two or
19 more ratings fall below investment grade. In any case, if credit downgrades
20 trigger an investment prohibition, the investors subject to it must begin to

1 divest themselves of the commercial paper, stocks and bonds of that
2 company.

3 As a result, a downgrade to junk status can trigger a prolonged selloff
4 of a company's stocks, bonds, and other obligations as existing investors
5 liquidate their positions. That company's cost of capital is likely to increase.
6 In times when the market is constrained, as it was in late 2008 and early 2009,
7 it can be difficult for non-investment-grade companies to obtain financing in
8 short-term capital markets on any terms.

9 **Q. HOW DID THE RATING AGENCIES AND OTHER MARKET**
10 **PARTICIPANTS REACT TO THE DECISION BY SCE&G TO**
11 **CANCEL THE NND PROJECT?**

12 A. The rating agencies and financial markets largely viewed SCE&G's
13 decision to cease construction of the NND Project as an appropriate decision.
14 Moody's, for example, issued a statement on August 1, 2017, reaffirming
15 SCE&G's credit rating, saying that the suspension of work on the NND
16 Project was a credit positive because it would reduce SCE&G's ongoing
17 construction risk. However, Moody's also noted that the abandonment posed
18 potential risks to SCE&G's regulatory relationships, and noted concerns that
19 Toshiba Corporation's weak financial position could jeopardize the value of
20 the Toshiba corporate guarantee.

1 Fitch also issued a statement on August 1, 2017, reaffirming
2 SCE&G's credit rating and continuing an existing credit watch with negative
3 implications. Fitch expressed concern that "an adverse regulatory order on
4 the abandonment petition" could "constrain credit metrics for a prolonged
5 period," and noted that it expected to resolve the ratings watch once the
6 Commission set the terms of cost recovery.

7 **Q. WHAT HAPPENED NEXT?**

8 A. On September 26, 2017, ORS filed its request in Docket No. 2017-
9 305-E, asking the Commission to immediately reduce SCE&G's revenues by
10 approximately \$445 million. This was a matter of concern to the markets, as
11 was the nature of the political response in South Carolina to the abandonment
12 of the NND Project and SCE&G's decision to withdraw its petition in Docket
13 No. 2017-244-E. Three days after ORS made its filing; Fitch downgraded
14 SCE&G's and SCANA's issuer ratings to 'BBB-' and 'BB+', respectively,
15 and maintained the ratings on negative outlooks. This caused SCANA's
16 rating to fall below investment grade. Fitch did so because of "the intense
17 legislative and regulatory scrutiny of the abandoned units 2 and 3 of the V.C.
18 Summer nuclear plant and recent comments by the South Carolina Attorney
19 General that question the constitutionality of the [Base Load Review Act]."
20 More specifically, Fitch expressed significant concern about "the sharp
21 deterioration in the legislative and regulatory environment in South

1 Carolina” and the fact that multiple legal battles are expected, “which will
2 lead to a protracted period of uncertainty.”

3 Also on September 29, 2017, Standard & Poor’s lowered SCE&G’s
4 and SCANA’s issuer ratings from ‘BBB+’ to ‘BBB,’ and moved the two
5 companies’ ratings to CreditWatch with negative implications “due to
6 adverse regulatory developments in South Carolina that have weakened the
7 consolidated business risk profile.”

8 On November 1, 2017, Moody’s placed SCE&G and SCANA on
9 review for downgrade, stating that “the review for downgrade recognizes the
10 potential deterioration in credit quality that could occur if some of the more
11 punitive positions that have been put forth by lawmakers, and the South
12 Carolina Office of Regulatory Staff (ORS) were to be implemented.”

13 Moody’s further stated that:

14 implementation of the ORS recommendation could lead to a
15 substantial credit asset impairment, which in some downside
16 scenarios, could result in a covenant violation under the companies’
17 credit facilities, restricting their access to liquidity. In light of the
18 increased regulatory and political uncertainty, the resulting metrics
19 would likely no longer be appropriate for the companies’ credit
20 ratings.

21 **Q. WHAT DOES THIS STATEMENT ABOUT CREDIT METRICS**
22 **MEAN?**

23 A. For a regulated utility, the numbers-driven credit metric is only one
24 factor that rating agencies use in determining ratings. For Moody’s, two

1 other heavily weighted factors are the quality of the regulatory environment
2 and the likelihood that a full recovery will be granted on utility costs. In the
3 November 1, 2017 statement, Moody's was indicating that non-numerical
4 factors, such as SCE&G's regulatory environment and the likelihood that
5 regulation will allow recovery of costs and investment, could be sufficient in
6 themselves to support a future credit downgrade.

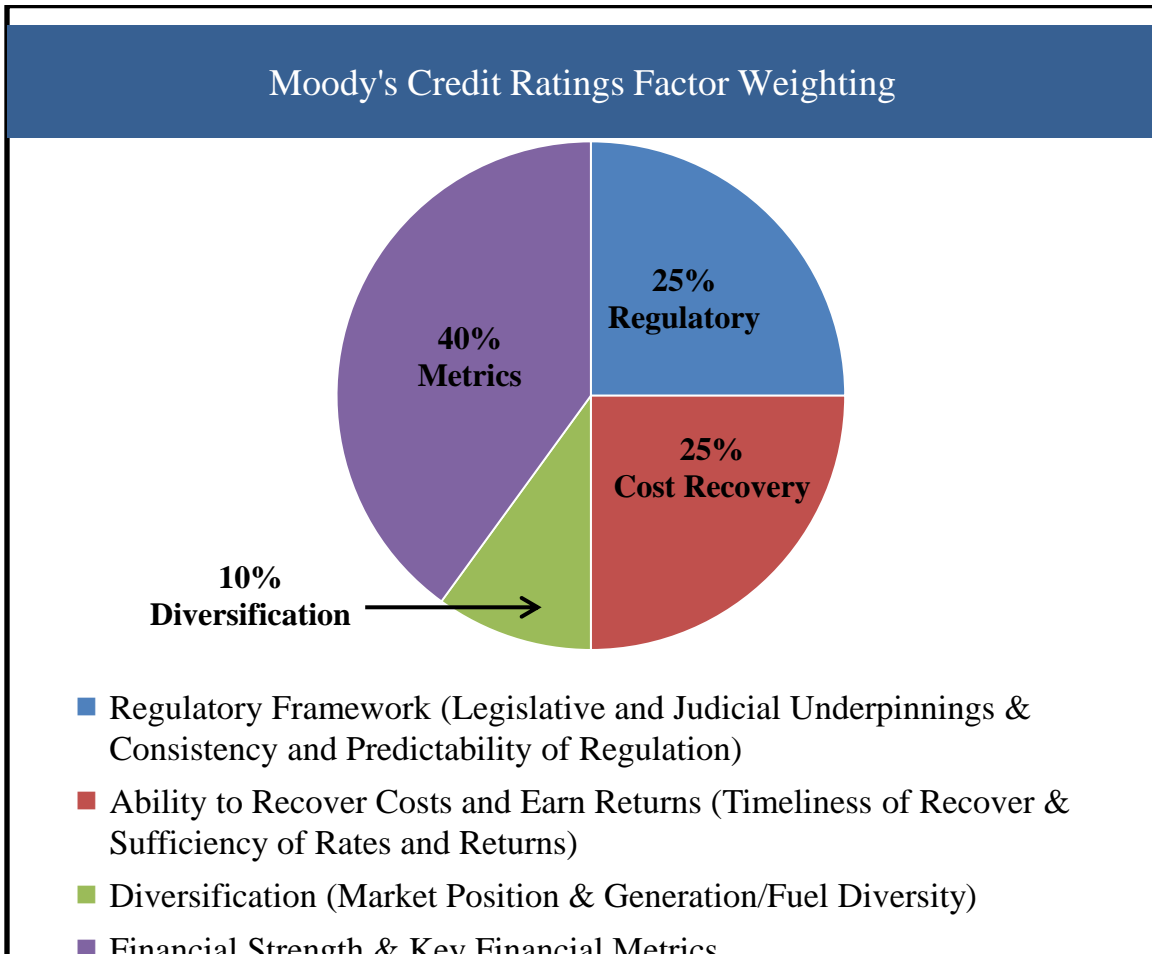
7 **Q. HOW DOES MOODY'S WEIGH THESE DIFFERENT FACTORS IN**
8 **SETTING CREDIT RATINGS FOR REGULATED UTILITIES?**

9 A. Chart C shows the factors that Moody's considers when issuing credit
10 ratings for regulated utilities, and the relative weighting of those factors. In
11 Moody's evaluation, regulatory framework and the likelihood of recovering
12 costs and investments are weighted 50%, while credit metrics are weighted
13 only 40%. The remaining 10% involves diversification of risk.

14 [The chart appears on the following page.]
15

Chart C

FACTORS CONSIDERED BY MOODY'S IN RATING UTILITY CREDITS



Q. WHAT DID MOODY'S DO ON FEBRUARY 5, 2018?

A. On February 5, 2018, Moody's downgraded SCE&G's rating from Baa2 to Baa3 and SCANA's rating from Baa3 to Ba1. When coupled with Standard & Poor's and Fitch's contemporaneous downgrades, this put SCANA's rating below investment grade at two of the three rating agencies. In announcing the downgrade, Moody's pointed to a "political and regulatory environment that has become exceedingly contentious and uncertain."

1 **Q. WHAT WAS THE BASIS FOR MOODY’S DOWNGRADE?**

2 A. Moody’s stated:

3 Events over the past few months have led us to conclude the
4 regulatory environment for SCE&G has deteriorated markedly and is
5 now considerably below average. The rating action also considers the
6 negative legislative reaction to recent credit neutral proposals by
7 SCANA, and by SCANA and Dominion Energy, Inc. (Dominion
8 Energy, Baa2 negative) in conjunction with their proposed merger,
9 that would better balance the cost of nuclear abandonment between
10 ratepayers, creditors and shareholders.

11 Moody’s further indicated that it was continuing its review of SCE&G and
12 SCANA for downgrade that it began in November, signaling that further
13 downgrades were possible, depending on legislative and regulatory
14 developments:

15 To the extent there is evidence of additional financial stress or adverse
16 political or regulatory developments, ratings could be affected. For
17 example if the legislature were to move to replace members of the
18 SCPSC; if SCE&G is ordered to refund amounts previously collected
19 under the BLRA, particularly without the benefit of a larger, better
20 capitalized partner; or if rates established by the SCPSC do not
21 provide an opportunity for SCE&G to maintain a ratio of [cash flow]
22 to debt that is at least in the low-teens, ratings could be revised
23 downward. Furthermore, if the company is unable to draw on its
24 credit lines, or issue additional debt, due to covenant violations or an
25 inability to represent that it has not experienced a material adverse
26 change, there could also be downward movement in the ratings.

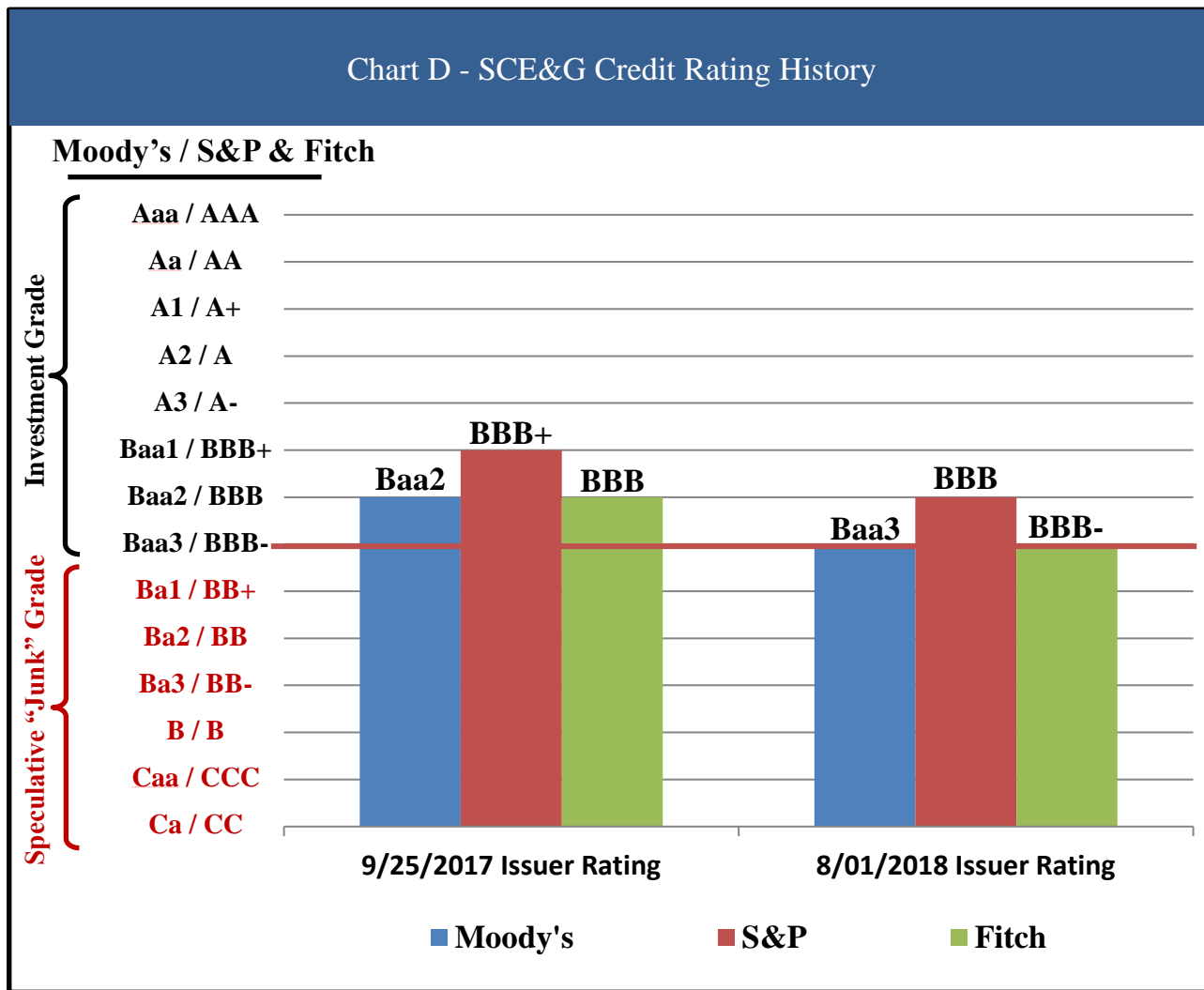
27 Moody’s Public Statement of February 5, 2018.

28 **Q. WHAT ARE THE CURRENT CREDIT RATINGS FOR SCE&G AND**
29 **SCANA?**

30 A. Moody’s credit rating left SCE&G at the threshold of speculative or
31 junk bond status at Moody’s and Fitch, and one notch above that threshold

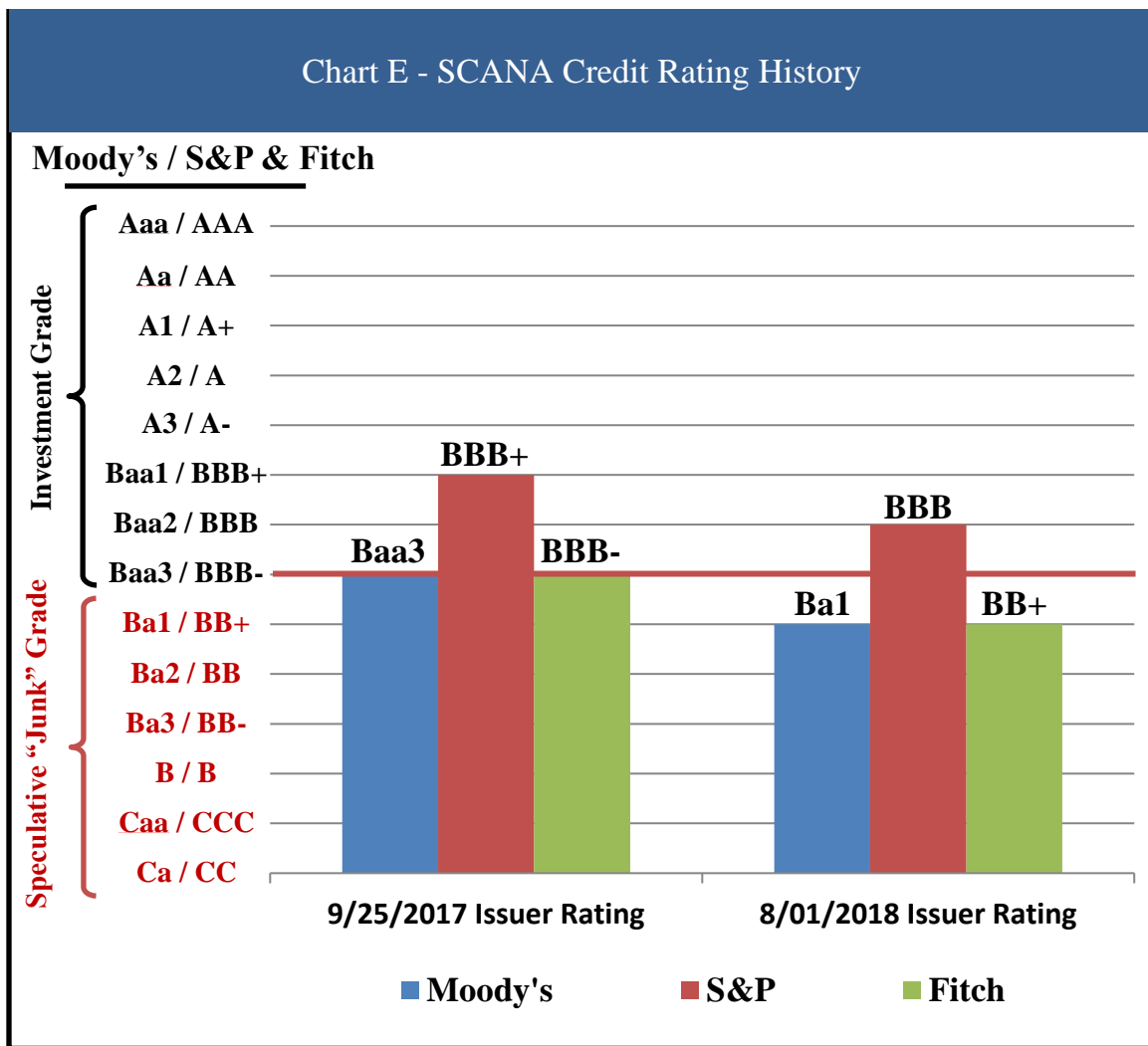
1 at Standard and Poor's. Chart D shows the ratings as of August 1, 2018, as
 2 compared to those on September 25, 2017, before the downgrades by
 3 Moody's, Standard and Poor's, and Fitch occurred.

4 **Chart D –SCE&G Before and after Downgrades**



5 Chart E shows the ratings for SCANA as they changed between late
 6 September 2017 and August 2018.

7 **Chart E – SCANA Before and after Downgrades**



Q. HOW HAVE THE CREDIT RATING AGENCIES RESPONDED TO THE GENERAL ASSEMBLY PASSING ACT NO. 258?

A. All three of the major credit rating agencies – Fitch, Moody's, and Standard & Poor's – have been closely watching the political climate in South Carolina with respect to Act No. 258, and all three have expressed concern over the impact that it could have on SCE&G's and SCANA's creditworthiness. For example, in its July 3, 2018 public statement, Fitch stated that it "considers the magnitude of the cut [mandated pursuant to Act

1 No. 258] to be detrimental to SCE&G's and [SCANA's] credit metrics, even
2 after consideration of [SCANA's] 80% reduction of the common dividend.”
3 See Fitch Public Statement of July 3, 2018. Fitch also recognized the
4 likelihood of a further credit downgrade – pushing SCANA and SCE&G to
5 junk status – if application of Act No. 258 is not stayed pending litigation:

6 [SCANA] has filed a federal court challenge to the legislation and
7 requested an injunction to stay. Absent prompt favorable legal
8 intervention, Fitch is likely to downgrade the ratings of [SCANA],
9 SCE&G, and PSNC by one notch. If the PSC issues an order in
10 December 2018 with a permanent cut of a similar magnitude,
11 additional downgrades may be warranted. Fitch also notes important
12 changes to South Carolina utility regulation contained in HB4375
13 that, in Fitch's view, are likely to result in the continuation of
14 [SCANA's] adversarial regulatory relationship.

15 Fitch Public Statement of July 3, 2018.

16 Fitch reiterated these positions again in its July 16, 2018 public
17 statement. S&P issued a similar statement on July 3, 2018:

18 We believe the enactment of House Bill 4375, which will temporarily
19 reduce customer rates by approximately 15% or about \$31 million per
20 month, will weaken the company's financial measures, despite its
21 recent decision to reduce its dividend by about 80%. Absent the Court
22 issuing an injunction, prohibiting the SCPSC from implementing the
23 new law, we could lower ratings to reflect our expectation of
24 materially weaker financial measures.

25 S&P Research Update of July 3, 2018. Moody's also acknowledged
26 that Act No. 258 will likely push SCANA and SCE&G's cash flow from
27 operations excluding changes in working capital (CFO pre-WC) to debt into
28 the low teens, and that there could be renewed downward pressure on
29 SCANA's and SCE&G's credit ratings if “rates established by the SCPSC

1 later this year do not provide an opportunity for SCE&G to maintain a ratio
2 of CFO pre-WC to debt that is at least in the low-teens on a sustained basis.”
3 Moody’s Public Statement of July 2, 2018.

4 **V. THE EFFECTS OF THE FEBRUARY 5, 2018 DOWNGRADE ON THE**
5 **COMMERCIAL PAPER MARKETS AND TRADE CREDIT**

6 **Q. WHY WOULD MOODY’S REFERENCE A CONCERN ABOUT**
7 **COVENANT VIOLATIONS AND MATERIAL ADVERSE**
8 **CHANGES?**

9 A. Adverse regulatory action reducing SCE&G’s revenues could result
10 in SCE&G or SCANA violating the covenants contained in the credit
11 facilities that support their commercial paper programs, such as the
12 requirement that the companies cannot have more than 70% debt in their
13 capital structures. Moody’s is also aware that SCE&G’s credit instruments
14 require SCE&G to certify to its lenders that there have been no material
15 adverse events. If SCE&G cannot do this because of actions taken by the
16 Commission or the legislature, then SCE&G could lose its ability to access
17 its credit facilities resulting in a liquidity crisis of the type discussed above.

18 **Q. HOW HAVE THE CREDIT DOWNGRADES AFFECTED SCE&G’S**
19 **AND FUELCO’S ABILITY TO BORROW FUNDS IN THE SHORT-**
20 **TERM COMMERCIAL PAPER MARKETS?**

21 A. SCE&G and FuelCo sell commercial paper through three dealers with
22 whom the companies have long-standing relationships. Before the recent

1 credit downgrades, SCE&G and FuelCo would call the three dealers
2 requesting competing bids. SCE&G and FuelCo would set an amount of
3 funds they wished to borrow and a maturity date for repayment. In most
4 cases, the maturities would be set in a 30 to 35-day range so they could be
5 synchronized with upcoming cash flows to minimize borrowings. The
6 dealers would then quote the interest rate they would charge for those
7 maturities, and SCE&G or FuelCo would typically accept the lowest bid.
8 Funding would be immediate.

9 Since the downgrade, SCE&G and FuelCo's dealers no longer bid on
10 commercial paper that they issue. Instead, the dealers post a statement of the
11 companies' needs in the market and provide indicative rates that they believe
12 will be attractive to potential investors. Investors in the market then respond,
13 specifying how much of the solicitation they will accommodate, if any, and
14 what maturities and interest rates they require.

15 Previously, SCE&G and FuelCo could place borrowings of \$50
16 million with individual buyers. After the downgrade, when trades were
17 placed, they are able to place trades that are typically less than \$10 million.
18 FuelCo was even more restricted and had difficulty selling commercial paper
19 after the downgrade. For example, in April 2018, FuelCo was successful in
20 placing only 7.6% of the amount of commercial paper it sought to issue.
21 Historically, our success rate has been 100%. To make up the short fall,

1 FuelCo accessed SCANA's FERC-approved utility money pool. Please see
 2 Chart F below:

3 **Chart F**

4 **COMMERCIAL PAPER SOLICITATION BY FUELCO**

Date	Amount Solicited	Amount Placed	Percent Placed
4/2/2018	\$ 150,000,000	\$ 2,500,000	2%
4/3/2018	\$ 150,000,000	\$ -	0%
4/4/2018	\$ 150,000,000	\$ 11,000,000	7%
4/5/2018	\$ 120,000,000	\$ 2,000,000	2%
4/6/2018	\$ 120,000,000	\$ -	0%
4/9/2018	\$ 120,000,000	\$ 4,200,000	4%
4/10/2018	\$ 120,000,000	\$ 16,500,000	14%
4/11/2018	\$ 120,000,000	\$ 14,000,000	12%
4/12/2018	\$ 120,000,000	\$ 15,000,000	13%
4/13/2018	\$ 120,000,000	\$ 9,500,000	8%
4/16/2018	\$ 120,000,000	\$ 4,800,000	4%
4/17/2018	\$ 120,000,000	\$ 11,000,000	9%
4/18/2018	\$ 120,000,000	\$ 17,110,000	14%
4/19/2018	\$ 120,000,000	\$ 11,300,000	9%
4/20/2018	\$ 120,000,000	\$ 10,000,000	8%
4/23/2018	\$ 120,000,000	\$ 30,100,000	25%
4/24/2018	\$ 120,000,000	\$ -	0%
4/25/2018	\$ 120,000,000	\$ 8,500,000	7%
4/26/2018	\$ 120,000,000	\$ 27,000,000	23%
4/27/2018	\$ 120,000,000	\$ 3,000,000	3%
4/30/2018	\$ 120,000,000	\$ -	0%
Total	\$ 2,610,000,000	\$ 197,510,000	7.6%

5
 6 FuelCo's inability to place commercial paper during this period is
 7 indicative of the short-term financing issues that can arise as creditworthiness
 8 erodes.

9 **Q. HAVE THESE CREDIT ISSUES AFFECTED BORROWING**
 10 **RATES?**

1 A. Yes. Before the downgrade, SCE&G issued commercial paper with a
2 1.95% interest rate, and FuelCo issued commercial paper with a 2.03%
3 interest rate. Immediately following the February 5 downgrade, SCE&G
4 issued commercial paper with a 2.20% interest rate, and FuelCo issued
5 commercial paper with a 2.40% interest rate, constituting 13% and 18%
6 increases, respectively. Because of the relatively low volume of commercial
7 paper that SCE&G and FuelCo have issued recently, the increases in these
8 interest rates do not translate into a material increase of SCE&G's costs in
9 absolute dollars. However, these increases in rates are indicative of the sort
10 of increases that could spread through the companies' finances if
11 creditworthiness continues to deteriorate.

12 **Q. HAS SCE&G BEEN REQUIRED TO POST CASH COLLATERAL**
13 **UNDER ANY OF ITS CONTRACTS?**

14 A. Yes. Dominion Energy Carolina Gas Transmission, LLC,
15 ("DECGT") is the interstate gas transmission pipeline that supplies SCE&G
16 with the firm gas capacity it uses to deliver natural gas to SCE&G's gas
17 distribution system and customers. SCE&G's agreement with DECGT,
18 which dates back to 2015, was initially secured by a corporate guarantee from
19 SCANA. The agreement included a provision that required SCE&G to post
20 credit assurance with DECGT if SCANA's credit was downgraded below
21 investment grade status. As indicated above, the downgrade from Moody's

1 occurred in February of 2018. As a result, SCE&G has been required to post
2 a cash deposit of approximately \$100 million with DECGT. SCE&G
3 financed that cash deposit through its credit facilities. As a FERC-regulated
4 pipeline, DECGT is under regulatory scrutiny to guard against any favoritism
5 it may show in the administration of pipeline contracts.

6 **VI. CURRENT RATINGS AND THE OUTLOOK FOR FUTURE**
7 **DOWNGRADES**

8 **Q. WHAT CONSIDERATIONS HAVE THE RATING AGENCIES**
9 **GIVEN TO POTENTIAL RATE CONCESSIONS BY SCE&G?**

10 A. In November, SCE&G indicated that it would take steps to mitigate
11 impacts on customers. Those steps formed the basis and principal terms of
12 the No Merger Benefits Plan, which involves SCE&G writing down new
13 nuclear assets, expensing the \$180 million purchase of replacement
14 generation, lowering retail electric rates approximately by 3.5%, and
15 SCE&G absorbing the financing costs and depreciation on the net balance of
16 its NND investment through those lower rates. SCE&G is aware that the
17 rating agencies have factored concessions of this magnitude into their
18 evaluations. In their most recent pronouncements, the rating agencies are
19 saying that if the rate concessions imposed on SCE&G go beyond
20 concessions of the magnitude already proposed, this could lead to further
21 downgrades.

22 **Q. WHAT WOULD FURTHER DOWNGRADES MEAN FOR SCE&G?**

1 A. If SCE&G were downgraded one notch by Moody's or Fitch, or two
2 notches by Standard & Poor's, this would cause SCE&G's issuer rating to
3 fall to speculative or junk status for that rating agency. This could virtually
4 eliminate SCE&G's access to the commercial paper market and cause many
5 investors to consider the company to be too risky an investment to buy or
6 hold.

7 In addition, falling to junk bond status could result in an impairment
8 of SCE&G's trade credit, as discussed above, which would put further
9 pressure on cash requirements. Under the terms of its existing contracts with
10 vendors and suppliers, SCE&G could be forced to post cash collateral or
11 provide other assurances of payment which would place additional stress on
12 SCE&G's cash resources.

13 Any significant reduction in SCE&G's retail electric revenue, would
14 directly reduce the cash available to SCE&G from operations, placing
15 additional stress on SCE&G's liquidity and cash position. At the same time,
16 depending on the amount and duration of the reduction, it could trigger the
17 credit downgrades as indicated by the rating agencies in their public
18 statements. These events would be mutually reinforcing and, if allowed to
19 proceed unchecked, could cascade into an acute liquidity crisis. Such a crisis
20 could lead to results which might seriously impair service to customers,

1 increase retail electric and gas rates long term, and set back the state's
2 economic development activities for an extended period of time.

3 **VII. THE FINANCIAL IMPACT OF PROPOSED PLANS**

4 **Q. ARE YOU SPONSORING ANY EXHIBITS IN CONJUNCTION**
5 **WITH YOUR TESTIMONY TODAY?**

6 A. Yes. I am sponsoring Exhibit __ (ING-1) – Financial Results for
7 Electric Retail Operations Under the Customer Benefits Plan; Exhibit
8 __ (ING-2) – Financial Results for Electric Retail Operations Under the No
9 Merger Benefits Plan; Exhibit __ (ING-3) – Financial Results for Electric
10 Retail Operations Under the Base Request; and Exhibit __ (ING-4) –
11 Financial Results for Electric Retail Operations Under the Act No. 258 Rate
12 Reduction.

13 **Q. WHAT DO THESE EXHIBITS SHOW?**

14 A. These exhibits quantify the results that could be expected under the
15 different regulatory plans and the results that could be expected if rates under
16 Act No. 258 become permanent. Each of the exhibits has been prepared
17 starting from the same financial data, pro forma adjustments, and
18 methodologies that we use in preparing the exhibits routinely filed in electric
19 rate proceedings, and that we use in computing SCE&G's financial results,
20 as filed with the Commission and ORS each quarter. In addition to the pro
21 forma adjustments that are routinely made in preparing the reports that are

filed with ORS and the Commission, these exhibits also include pro forma adjustments to quantify the financial impacts of the specific regulatory plan or proposal that it addresses. The results shown are based on the 12 months ending on December 31, 2017. These calculations are based on SCE&G's debt to equity ratios and capital structure prior to impairments. The resulting ROEs and NND Project capital cost impairments, are provided on Chart G, below:

CHART G

Summary of ROEs and NND Project Capital Cost Impairments

Item	Customer Benefits Plan	No Merger Benefits Plan	Base Request	Permanent Act No. 258 Rates
RESULTING ROE¹	8.83%	8.53%	9.19%	6.67%
CAPITAL COST IMPAIRMENTS (\$millions)	\$1,400	\$490	\$0	\$2,400

The resulting returns on rate base overstate the actual returns that would be earned on the capital invested in SCE&G's electric utility business. They do so because the impairments that SCE&G has recorded, or would record, under generally accepted accounting principles for financial accounting purposes reduce rate base without any change in income. The

¹ These calculations are based on SCE&G's debt to equity ratios and capital structure prior to impairments.

1 same income earned on a smaller rate base results in the calculation of a
2 higher return on equity, even though investors see no additional returns.

3 **Q. PLEASE EXPLAIN.**

4 A. Therefore, returns computed net of these impairments are inflated
5 because they are based only on a portion of the capital investors have
6 invested in SCE&G's electric utility system. There is no return on the
7 impaired amount. If recognized for rate-making purposes, the impairments
8 entail a full loss of invested capital equal to the amount of the impairment.
9 SCE&G has recognized these impairments because, under generally
10 accepted accounting principles, it cannot assure its creditors, investors, or the
11 public that it is likely to receive a full and timely return on this amount of
12 investment going forward, even though the investments in question were
13 lawfully and prudently made, were thoroughly reviewed and approved by the
14 Commission and ORS both before and after they were made. Nonetheless,
15 because of the current regulatory and political climate in which SCE&G is
16 operating, accounting rules require SCE&G to recognize an impairment of
17 these amounts for financial reporting purposes. That does not mean that the
18 investment is not a valid and recoverable investment for regulatory purposes.
19 It is SCE&G's legal and regulatory position that this investment should be
20 recognized.

1 Therefore, returns computed net of these impairments are inflated
2 because they are returns based only on the portion of the capital investors
3 who have invested in SCE&G's electric utility system. If recognized for rate-
4 making purposes, the impairments entail a full loss of invested capital equal
5 to the amount of the impairment. This loss translates into a one-time loss of
6 earnings in the amount of the impairment in the year of the write off, and a
7 permanent ROE of 0.0% on that amount going forward. If imposed
8 involuntary on prudently invested capital—which the capital reflected in
9 these impairments is—the result constitutes unlawful confiscation of private
10 property in its starkest form.

11 Let me give you a practical example, simply removing the revenue
12 targeted by Act No. 258 results in an ROE of 5.16%. But after impairing rate
13 base, the ROE increases to 6.67% but there is no additional revenue driving
14 this increase in ROE, and no additional earnings to provide a return to
15 investors. The increase is caused entirely by the reduction in rate base
16 recognized for accounting or regulatory purposes.

17 SCE&G has computed the returns under each of the regulatory plans
18 or proposals that reflect earnings on an impaired capital investment under
19 those plans or proposals, but does not adjust the capital structure to reflect
20 the amounts written off for accounting purposes through impairments.

1 **Q. PLEASE DESCRIBE EXHIBIT __ (ING-1)—CUSTOMER BENEFITS**
2 **PLAN.**

3 A. Exhibit __ (ING-1) demonstrates that had the Customer Benefits Plan
4 been in effect during an adjusted test period reflecting the 12 months ended
5 December 31, 2017, SCE&G would have earned a return on equity of 8.83%,
6 which is 142 basis points lower than its allowed return of 10.25%, as
7 established in Order No. 2012-951. It would require approximately \$79
8 million in additional annual retail electric revenue to raise SCE&G's return
9 from 8.83% to the Commission-approved 10.25%.

10 But this 8.83% return is achieved only after SCE&G writes off
11 approximately \$2.8 billion in assets, which includes the cumulative capital
12 cost impairment of \$1.4 billion as noted in Chart G above, as well as
13 additional impairments that are discussed more fully later in my testimony
14 and in the testimony of Mr. Kochems. This means that in addition to the
15 8.83% return on remaining assets, SCE&G's investors will not earn a return
16 on or receive recovery of this \$2.8 billion in assets going forward.

17 **Q. WHAT DO THE RESULTS OF THIS ANALYSIS INDICATE FROM**
18 **A REGULATORY STANDPOINT?**

19 A. This analysis shows that in agreeing to the Customer Benefits Plan,
20 Dominion Energy's investors are agreeing to a return on SCE&G's
21 operations which, if standing alone, would be far less than what would

objectively be considered a fair and reasonable return under generally applicable constitutional and rate making principles and if imposed involuntarily would constitute confiscation of private property for public use.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (ING-2)—THE NO MERGER BENEFITS PLAN.

A. Exhibit __ (ING-2) provides the financial results that would be expected to be realized under the No Merger Benefits Plan, which is presented as a disfavored alternative to the Customer Benefits Plan presented above. This exhibit shows that, had the No Merger Benefits Plan been in effect during an adjusted test period reflecting the 12 months ended December 31, 2017, SCE&G would have earned a return on equity of 8.53%, which is 172 basis points lower than its allowed return of 10.25%, as established in Order No. 2012-951. It would require approximately \$95 million in additional annual retail electric revenue to raise SCE&G's return from 8.53% to the Commission-approved 10.25%.

But this 8.53% return is achieved only after SCE&G writes off approximately \$1.1 billion in assets, which includes the cumulative capital cost impairment of \$490 million as noted in Chart G above. This means that, in addition to the 8.53% return on remaining assets, SCE&G's investors will not earn a return on or receive recovery of this \$1.1 billion in assets going forward.

**Q. WHAT DO THE RESULTS OF THIS ANALYSIS INDICATE FROM
A REGULATORY STANDPOINT?**

A. SCE&G is proposing the No Merger Benefits Plan as a voluntary, but disfavored, resolution of the regulatory matters presented in this proceeding. In proposing this plan, SCE&G is agreeing to a return which, standing alone, is far less than what would objectively be considered a fair and reasonable return under generally applicable constitutional and rate making principles, and which would constitute an unlawful confiscation of investors' capital, if ordered involuntarily. But it should be borne in mind that the Customer Benefits Plan provides far more value to SCE&G's customers than SCE&G can provide standing alone, and is thus the preferred alternative. While the rates of return on equity are relatively comparable between the Customer Benefits Plan and the No Merger Benefits Plan, the Customer Benefits Plan nevertheless provides substantially more benefits to customers. Because the costs of these customer benefits are written off, the difference in customer benefits is not reflected in the return on equity calculations provided here.

Q. PLEASE DESCRIBE EXHIBIT __ (ING-3).

A. Exhibit __ (ING-3) indicates that if the most disfavored alternative, the Base Request, had been in effect during an adjusted test period reflecting the 12 months ended December 31, 2017, SCE&G would have earned a return on equity of 9.19% which is 106 basis points lower than its allowed return of

1 10.25%, as established in Order No. 2012-951. It would require
2 approximately \$61 million in additional annual retail electric revenue to raise
3 SCE&G's return to the Commission-approved 10.25%. The analysis shows
4 that implementing the Base Request would in no way result in SCE&G
5 earning more than the legally required and permissible return on its
6 investment in its utility systems.

7 **Q. PLEASE DESCRIBE EXHIBIT __ (ING-4).**

8 A. Exhibit __ (ING-4) provides financial and related information
9 consistent with the exhibits routinely filed in rate proceedings to demonstrate
10 the financial results that would be expected to be realized assuming that the
11 rate reduction provisions of Act No. 258 were made permanent, specifically
12 a \$367 million reduction in SCE&G's annual retail electric revenue. This
13 exhibit indicates that, had Act No. 258 been in effect during an adjusted test
14 period reflecting the 12 months ended December 31, 2017, SCE&G would
15 have earned a return on equity of 6.67%, which is 358 basis points lower than
16 its allowed return of 10.25%, as established in Order No. 2012-951. For
17 financial accounting purposes, if the rates contemplated by Act No. 258 were
18 permanent rates, SCE&G would be required to record a total impairment of
19 approximately \$2.9 billion which includes the cumulative capital cost
20 impairment of \$2.4 billion as noted in Chart G above. It would require
21 approximately \$162 million in additional annual retail electric revenue to

1 raise SCE&G's return to the Commission-approved 10.25%. A return at this
2 level would be financially unreasonable.

3 **Q. WHAT DO THE RESULTS OF THIS ANALYSIS INDICATE FROM**
4 **A REGULATORY STANDPOINT?**

5 A. Under this proposal, SCE&G would be in a significantly weakened
6 financial condition, possibly speculative grade credit ratings, and limited
7 access to capital at market rates. There would be a regulatory confiscation
8 of more than \$2.4 billion in lawful private investments in SCE&G's electric
9 utility system.

10 **VIII. SCANA DIVIDEND PAYMENTS IN 2018**

11 **Q. PLEASE DESCRIBE THE FINANCIAL RESULTS FOR 2017 AS**
12 **REPORTED BY SCANA ON FEBRUARY 22, 2018.**

13 A. On February 22, 2018, SCANA Corporation reported its financial
14 results for the fourth quarter of 2017, a loss of \$445 million or \$3.11 per
15 share. For the year ended December 31, 2017, SCANA reported a loss of
16 \$119 million or \$0.83 per share. During the prior year, SCANA had earned
17 \$595 million and \$4.16 per share. The losses in 2017 principally resulted
18 from non-cash impairments related to NND Project.

19 **Q. WHAT DIVIDEND DID SCANA PAY FOR THE FIRST QUARTER**
20 **OF 2018?**

1 A. For the quarter ending March 31, 2018, SCANA's Board of Directors
2 decided, after careful consideration, to declare a regular corporate dividend
3 of 61.25 cents per share payable on April 1, 2018. Historically SCANA has
4 provided dividend guidance for the upcoming fiscal year at the time it
5 reported its prior year's earnings. The dividend of 61.25 cents was in keeping
6 with the dividend policy that the board had previously declared. However,
7 in announcing the February 22, 2018 dividend, the Board indicated that
8 decisions about future dividends would be evaluated quarterly.

9 **Q. WHAT DECISION DID THE BOARD MAKE WITH RESPECT TO**
10 **THE COMPANY'S MOST RECENT DIVIDEND?**

11 A. For the quarter ending June 30, 2018, SCANA's Board of Directors
12 decided to reduce its quarterly dividends to 12.37 cents per share, payable on
13 July 18, 2018. This constituted an 80% reduction from the 61.25 cents per
14 share dividend that it declared for the first quarter of 2018, and corresponds
15 to the portion of SCANA's regular dividend that is attributable to the electric
16 portion of SCE&G's business. The Board of Directors still paid a dividend
17 so that those investors who required the payment of dividends to remain
18 invested in the stock are not required to withdraw their investments.

19 **IX. TOSHIBA MONETIZATION**

1 **Q. PLEASE EXPLAIN THE TRANSACTION THROUGH WHICH**
2 **SCE&G MONETIZED THE TOSHIBA CORPORATE GUARANTEE**
3 **SETTLEMENT PAYMENTS.**

4 A. The Engineering, Procurement, and Construction (“EPC”) Contract
5 with Westinghouse was secured by a parental guaranty issued by
6 Westinghouse’s parent company, Toshiba. In July 2017, SCE&G and Santee
7 Cooper entered into a settlement agreement with Toshiba pursuant to which
8 Toshiba agreed to pay SCE&G and Santee Cooper approximately \$2.2
9 billion in monthly installments between October 2017 and September 2022.
10 This amount was approximately \$495 million in excess of the amount that
11 Toshiba would have owed under a strict application of the terms of the
12 parental guarantee document. To achieve that result, SCE&G’s and Santee
13 Cooper’s teams worked extremely hard over several months to maximize
14 recovery for customers and the companies, and SCE&G and Santee Cooper
15 were successful in negotiating a higher amount.

16 Under the terms of the parental guaranty, the guarantee amount was
17 to be paid in installments over five years with no interest. The first payment
18 on the guarantee, which was \$150 million, was made in October 2017, and
19 was excluded from the monetization transaction.

20 **Q. HOW DID SCE&G GO ABOUT SOLICITING PROPOSALS FOR**
21 **THE MONETIZATION TRANSACTION?**

1 A. After the settlement with Toshiba was publicly announced, SCE&G
2 received a number of unsolicited proposals to monetize the future stream of
3 payments. SCE&G did not accept any of these proposals but instead retained
4 an independent advisor to assist it and Santee Cooper in determining what
5 terms might be available for monetizing the settlement claim. With the help
6 of that advisor, over 100 sophisticated, accredited institutional broker-dealers
7 and credit investors were contacted during the marketing process. To
8 maintain flexibility and maximize market participation, the solicitation was
9 structured to accommodate bids to monetize the settlement claim either
10 partially or entirely. The entire monetization process was designed to
11 maximize value and provide certainty of an expedited closing. In the end,
12 the selected bidder provided a proposal for a quick settlement and a discount
13 of approximately 8.5% of the total due from Toshiba. In total, between the
14 monetization and the direct payment from Toshiba, SCE&G and Santee
15 Cooper received approximately \$2.0 billion out of the approximately \$2.2
16 billion to which they were entitled under the terms of the agreement, a
17 discount of 7.9%. The total amount received by SCE&G as 55% owner of
18 the Project was approximately \$1.1 billion.

19 **Q. WHAT WERE THE BENEFITS OF THIS TRANSACTION TO**
20 **SCE&G AND ITS CUSTOMERS?**

1 A. There were multiple benefits to SCE&G's customers from this
2 transaction. First, monetizing the claim eliminated any credit risk associated
3 with Toshiba. At the time, Toshiba had not fully resolved its accounting
4 irregularities. In Toshiba's November 9, 2017 earnings release, it disclosed
5 that there was "substantial doubt about the Company's ability to continue as
6 a going concern." SCE&G and Santee Cooper wanted to mitigate the risk
7 that the guarantee payments would be tied up in a bankruptcy proceeding in
8 Japan.

9 In addition, monetizing the claim provided the receipt of cash more
10 quickly than Toshiba was required to pay it. Factoring in the time value of
11 money, the net present value of receiving the payments in 2017, versus over
12 a five-year period, yields an implied discount rate of only 3.45%, which is
13 lower than SCE&G's cost of capital.

14 Customers also benefited because the cash proceeds of the settlement
15 allowed SCE&G to avoid having to issue long-term debt in the then-current
16 financial circumstances. The cost of that debt would have been part of
17 SCE&G's cost structure for a decade or more.

18 For all these reasons, monetization was beneficial to SCE&G's
19 customers. It is also important to bear in mind that under all regulatory
20 proposals related to the new nuclear investment, the full value of the Toshiba

1 settlement payments, net of amounts used to settle outstanding contractor
2 liens, will be used for the benefit of customers.

3 **X. TAX MATTERS**

4 **Q. ARE YOU ALSO TESTIFYING CONCERNING CERTAIN TAX**
5 **MATTERS ASSOCIATED WITH THE REGULATORY PLANS**
6 **PRESENTED HERE?**

7 A. Yes. I am also testifying concerning tax matters associated with the
8 regulatory plans presented here, including issues related to excess deferred
9 taxes and related matters, as well as the proposal for passing through to
10 customers the appropriate benefits from the Tax Cuts and Jobs Act
11 (“TCJA”).

12 **Q. AS OTHER WITNESSES TESTIFY, THE CUSTOMER BENEFITS**
13 **PLAN INCLUDES A CAPITAL COST RIDER COMPONENT FOR**
14 **RECOVERY OF NND PROJECT INVESTMENT. IN**
15 **CALCULATING THE REVENUE REQUIREMENTS UNDER THE**
16 **CAPITAL COST RIDER COMPONENT, HOW WILL YOU**
17 **ACCOUNT FOR TAX MATTERS ASSOCIATED WITH THE NND**
18 **PROJECT ABANDONMENT?**

19 A. The rate base for determining SCE&G’s revenue requirements under
20 the Capital Cost Rider Component will include the net operating loss
21 carryforward deferred tax asset and the deferred tax liability which is

1 measured against the book basis of the NND regulatory asset. To illustrate,
2 the initial rate base would be approximately \$3.3 billion plus the estimated
3 deferred income tax asset of approximately \$0.8 billion less the deferred tax
4 liability of approximately \$1.3 billion (approximately \$3.3 billion rate base
5 less tax basis of \$0, assuming abandonment and research and
6 experimentation deductions are sustained, at an incremental tax rate of
7 38.25%), for a net NND rate base of approximately \$2.8 billion prior to the
8 impact of the annual amortization. The deferred tax balances reflected above
9 will be adjusted annually or if these deductions are not sustained for tax
10 purposes at any point.

11 In addition, under the Customer Benefits Plan, to ensure that the
12 appropriate benefits associated with the TCJA, as applied to the NND Project
13 investment, are passed to customers in a timely fashion, those benefits will
14 be reflected within the NND Tax Rider. The benefits included in calculating
15 the amount of the NND Tax Rider will include (a) the reduction of the tax
16 gross-up factor used in connection with the recovery of capital costs to
17 account for lower federal income taxes on the associated income, (b) the
18 effect of the amortization over 20 years of the excess deferred income tax
19 liability arising out of the abandonment and research and experimentation
20 expenditures, and (c) the recovery of the excess deferred income tax asset.
21 As noted above, the deferred tax asset for the net operating loss carryforward

1 is an estimate, and will be adjusted in the next annual filing as tax information
2 becomes available or if these deductions are not sustained for tax purposes
3 at any point. Under the Customer Benefits Plan, reductions in the deferred
4 tax asset, and the associated excess deferred income taxes resulting from the
5 TCJA, will be subject to Dominion Energy's ability to use the SCANA net
6 operating loss carryforward to reduce its consolidated income tax liability
7 computed on a consolidated basis, rather than on a separate company basis.

8 Furthermore, the net operating loss carryforward is subject to a
9 calculated limitation under the Internal Revenue Code that is dependent upon
10 external factors that must be assessed after the closing. Under the Customer
11 Benefits Plan, the NND Tax Rider will be adjusted annually or if the
12 associated deductions are not sustained for tax purposes at any point.

13 **Q. HOW DOES SCE&G PROPOSE TO ACCOUNT FOR THE TAX**
14 **BENEFITS ASSOCIATED WITH THE ABANDONMENT OF THE**
15 **NND PROJECT UNDER THE NO MERGER BENEFITS PLAN AND**
16 **THE BASE REQUEST?**

17 A. Under the No Merger Benefits Plan and the Base Request, there will
18 be no Capital Cost Rider Component or NND Tax Rider. As such, the
19 deferred tax benefits associated with the abandonment of the NND Project
20 and with prior research and experimentation deductions are included within
21 the derivation of the rate base under those regulatory plans.

1 **Q. THE JOINT APPLICATION INCLUDES A TAX RIDER THAT**
2 **APPLIES UNDER ALL THREE REGULATORY PLANS. HOW**
3 **DOES THE CUSTOMER BENEFITS PLAN PROPOSE TO USE**
4 **THAT TAX RIDER TO RETURN TO CUSTOMERS TAX BENEFITS**
5 **THAT ARISE UNDER THE TCJA?**

6 A. Under all three regulatory plans, a separate rate rider, the Tax Rider,
7 will reduce customers' rates for certain impacts of the TCJA. As noted
8 above, under the Customer Benefits Plan, the impacts of the TCJA which
9 relate to the NND Project investment will be handled through the NND Tax
10 Rider. However, under the No Merger Benefits Plan and the Base Request,
11 all appropriate tax benefits associated with TCJA will flow through the Tax
12 Rider.

13 Under all three plans, the amount of the tax savings arising from the
14 TCJA may vary from year to year based on multiple tax-related factors
15 including the varying effects of the new tax rate on the computation of
16 amortization of excess deferred income taxes using the Average Rate
17 Assumption Method ("ARAM"), the use of which is necessary to comply
18 with Internal Revenue Code normalization requirements. The tax benefits
19 would also vary with SCE&G's earnings and would be lower than anticipated
20 if rate reductions are greater than are contemplated under the applicable
21 regulatory plan.

1 SCE&G has used the twelve months ended December 31, 2017 to
2 quantify the benefits of the TCJA. In the interest of rate stability, and subject
3 to tax normalization requirements, under all three regulatory proposals
4 SCE&G proposes to fix the tax savings passed on to customers under the Tax
5 Rider for the years 2019 and 2020. These years correspond to the rate
6 moratorium proposed under the Customer Benefits Plan. For the Tax Rider,
7 SCE&G proposes to make the appropriate calculation of the average
8 estimated tax savings arising from the TCJA over the tax years 2019 and
9 2020 for each regulatory plan and to levelize the reductions for that plan over
10 those two years. It should be noted, however, that the IRS may issue
11 guidelines on tax normalization issues associated with implementation of the
12 TCJA. The tax calculations and approaches set forth here are subject to
13 compliance with those IRS guidelines, and may have to be modified to
14 conform to future guidance that the IRS may issue.

15 **Q. HOW WILL THE THREE PLANS DEAL WITH TAX BENEFITS**
16 **ACCRUED UNDER THE TCJA SINCE JANUARY 1, 2018?**

17 A. SCE&G is currently deferring as revenues subject to refund the
18 benefits to tax expense that it has received under the TCJA since January 1,
19 2018 (the “2018 TCJA Benefits”). Although the final amount will depend
20 on customer usage, weather and other factors, under the Customer Benefits
21 Plan the 2018 TCJA Benefits amounts will be provided to customers as part

1 of the one-time cash payment along with the \$1.3 billion. Under the No
2 Merger Benefits Plan and Base Request, the 2018 TCJA Benefits amounts
3 will be provided to customers in a one-time bill credit.

4 **Q. WHAT ARE THE RESULTING CALCULATIONS OF BILL**
5 **CREDITS ASSOCIATED WITH THE TAX RIDERS UNDER THE**
6 **THREE PLANS?**

7 A. Under the Customer Benefits Plan and under the assumptions set forth
8 above, the 2019 tax savings has been calculated to be approximately \$112
9 million. This \$112 million reduction in annual revenue requirement
10 generates a 4.6% reduction in retail electric rates, of which a bill credit of
11 2.7% will be provided by means of the Tax Rider, and a bill credit of 1.9%
12 will be included in the NND Tax Rider.

13 Under the No Merger Benefits Plan and under the assumptions set
14 forth above, the average annual amount of SCE&G's tax savings over the
15 two years 2019-2020 has been calculated to be approximately \$106 million.
16 This results in a total Tax Rider bill credit, as presently calculated, of
17 approximately 4.3% under the No Merger Benefits Plan.

18 Under the Base Request and under the assumptions set forth above,
19 the average annual amount of SCE&G's tax savings over the two years 2019-
20 2020 has been calculated to be approximately \$120 million. This results in

1 a total Tax Rider bill credit, as presently calculated, of approximately 4.8%
2 under the Base Request.

3 **Q. WHAT WILL BECOME OF THE TAX RIDER AFTER 2020?**

4 A. SCE&G will calculate and file with the Commission a new rate for
5 the Tax Rider to be effective on or after January 1, 2021. Alternatively, if
6 new base rates were approved to take effect in January of 2021, those rates
7 would – in the ordinary course of ratemaking – be calculated to take into
8 account the effects of the TCJA and therefore there would be no need for the
9 Tax Rider to continue after those rates took effect. In any event, the Tax
10 Rider would be superseded by new base rates whenever they might be
11 approved.

12 **Q. PLEASE DISCUSS THE TAX RELATED REGULATORY ASSETS**
13 **THAT ARE BEING WRITTEN OFF UNDER THE CUSTOMER**
14 **BENEFITS AND NO MERGER BENEFITS PLANS**

15 A. As Mr. Kochems testifies, under the Customer Benefits Plan and No
16 Merger Benefits Plan, SCE&G will not seek recovery of certain regulatory
17 assets which are associated with the NND Project. Three of them are tax
18 related:

19 1) The accumulated deferred income taxes arising from the NND
20 Project allowance for equity funds used during construction which

1 had been properly deferred based on customary prior ratemaking
2 actions with respect to recovery of taxes.

3 2) The financing costs on deferred tax assets related to nuclear
4 construction which had been properly deferred under Order No.
5 2013-803.

6 3) The foregone Domestic Production Activity Deductions
7 (“DPAD”) which had been properly deferred under Order No.
8 2016-373. This amount is net of the research and experimentation-
9 related tax credits, as well as accrued interest expense and other
10 costs related to the uncertain tax position arising from the tax
11 treatment of research and experimentation expenditures.

12 The Joint Petition contains further details concerning the structure and
13 accounting of these other regulatory assets. Additionally, following the
14 filing of a 2017 tax return, SCANA carried back a portion of its 2017 net
15 operating loss to 2015, which resulted in the elimination of approximately
16 \$38 million of DPAD which had been claimed in that year. Therefore, this
17 2015 DPAD was also written off in addition to the other regulatory assets
18 mentioned above. As a result, a cumulative total of approximately
19 \$187 million of tax related deferrals were written off in December 2017.
20 Under the Customer Benefits Plan and under the No Merger Benefits Plan,

these amounts will be excluded when setting rates for SCE&G's retail electric customers going forward.

XI. CONCLUSION

Q. IN CLOSING, CAN YOU SUMMARIZE THE KEY POINTS OF YOUR TESTIMONY?

A. A key point in my testimony is that SCE&G stands at a very critical point financially. The rating agencies have factored into their ratings for SCE&G the rate concessions that have been proposed to date, and these concessions are substantial. On that basis, and in light of the uncertain regulatory and legislative climate in South Carolina, they have downgraded SCE&G's credit ratings to the bottom of the investment grade category or close to it. The rating agencies have clearly stated that further adverse regulatory or legislative actions will result in SCE&G losing its investment grade rating and becoming a junk credit. The danger of this happening is real and it could set in motion a series of events which could be difficult to control, and which could be financially detrimental to SCE&G and its service to customers. The leadership team will do all we can to prevent this from happening, but if it were to happen, the consequences would be disruptive and expensive for SCE&G's customers and the State of South Carolina. It is not a risk that anyone involved in this process should be willing to take.

1 The second point of my testimony is that the Customer Benefits Plan
2 proposed by Dominion Energy is a more desirable customer alternative than
3 the proposal offered by SCE&G. By contrast, the application of Act No. 258
4 is likely to lead to a significant impairment of SCE&G's creditworthiness
5 and if the rates imposed by that act are mandated permanently, could lead to
6 even more negative consequences for customers and investors.

7 Third, the transaction that monetized the Toshiba Corporate
8 Guarantee Settlement Payment benefited customers by removing credit risks
9 associated with an uncertain future stream and resulted in receipt of funds
10 that exceeded the net present value to SCE&G of the payment stream that
11 was otherwise expected.

12 My request to the Commission is that it approve the Customer
13 Benefits Plan and the business combination with Dominion Energy which
14 makes it possible. This is a reasonable, safe and beneficial resolution to the
15 current difficulties and we respectfully request that the Commission approve
16 it.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A. Yes, it does.**

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,664,426,229</u>	<u>(97,521,338)</u>	<u>2,566,904,891</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	657,825,785	-	657,825,785
4	O&M Expenses - Other	586,529,178	(19,672,209)	566,856,969
5	Depreciation & Amortization Expenses	275,631,254	169,732,170	445,363,424
6	Taxes Other Than Income	213,490,994	7,102,333	220,593,327
7	Total Income Taxes	<u>241,317,794</u>	<u>(163,384,327)</u>	<u>77,933,467</u>
8	Total Operating Expenses	<u>1,974,795,005</u>	<u>(6,222,033)</u>	<u>1,968,572,972</u>
9	Operating Return	689,631,224	(91,299,305)	598,331,919
10	Customer Growth	2,779,242	(372,681)	2,406,561
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>691,283,185</u>	<u>(91,671,986)</u>	<u>599,611,199</u>
13	<u>Rate Base</u>			
14	Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440
15	Reserve for Depreciation	<u>3,903,784,244</u>	<u>6,884,441</u>	<u>3,910,668,685</u>
16	Net Plant	6,292,654,165	(12,473,410)	6,280,180,756
17	Construction Work in Progress	340,584,501	(66,413)	340,518,088
18	Deferred Debits / Credits	2,266,639,639	(143,348,565)	2,123,291,074
19	Total Working Capital	(102,187,532)	(2,459,026)	(104,646,558)
20	Materials & Supplies	434,824,964	(108,698,961)	326,126,003
21	Accumulated Deferred Income Taxes	<u>(799,140,723)</u>	<u>(6,000,000)</u>	<u>(805,140,723)</u>
22	Total Rate Base	<u>8,433,375,014</u>	<u>(273,046,375)</u>	<u>8,160,328,640</u>
23	<u>Rate of Return</u>	8.20%		7.35%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,611,119,429</u>	<u>(97,521,338)</u>	<u>2,513,598,091</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	631,607,100	-	631,607,100
4	O&M Expenses - Other	572,298,891	(19,464,165)	552,834,726
5	Depreciation & Amortization Expenses	269,337,754	169,665,638	439,003,392
6	Taxes Other Than Income	208,740,981	6,947,364	215,688,345
7	Total Income Taxes	<u>248,572,997</u>	<u>(163,410,561)</u>	<u>85,162,436</u>
8	Total Operating Expenses	<u>1,930,557,723</u>	<u>(6,261,724)</u>	<u>1,924,295,999</u>
9	Operating Return	680,561,706	(91,259,614)	589,302,092
10	Customer Growth	2,779,242	(372,681)	2,406,561
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>682,213,667</u>	<u>(91,632,295)</u>	<u>590,581,372</u>
13	<u>Rate Base</u>			
14	Plant in Service	9,980,706,786	(5,471,148)	9,975,235,638
15	Reserve for Depreciation	<u>3,814,648,968</u>	<u>6,676,452</u>	<u>3,821,325,420</u>
16	Net Plant	6,166,057,818	(12,147,600)	6,153,910,218
17	Construction Work in Progress	330,655,032	(64,548)	330,590,484
18	Deferred Debits / Credits	2,187,794,639	(145,132,676)	2,042,661,963
19	Total Working Capital	(106,815,602)	(2,433,021)	(109,248,623)
20	Materials & Supplies	419,863,904	(104,296,653)	315,567,251
21	Accumulated Deferred Income Taxes	<u>(782,232,866)</u>	<u>(6,000,000)</u>	<u>(788,232,866)</u>
22	Total Rate Base	<u>8,215,322,925</u>	<u>(270,074,498)</u>	<u>7,945,248,426</u>
23	<u>Rate of Return</u>	8.30%		7.43%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Retail As Adjusted	Hypothetical Increase*	Total After Hypothetical Increase
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	2,513,598,091	79,098,716	2,592,696,807
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	631,607,100		631,607,100
4	O&M Expenses - Other	552,834,726		552,834,726
5	Depreciation & Amortization Expenses	439,003,392		439,003,392
6	Taxes Other Than Income	215,688,345	353,334	216,041,679
7	Total Income Taxes	85,162,436	19,646,973	104,809,409
8	Total Operating Expenses	1,924,295,999	20,000,307	1,944,296,306
9	Operating Return	589,302,092	59,098,409	648,400,501
10	Customer Growth	2,406,561	241,295	2,647,856
11	Interest on Customer Deposits	(1,127,281)	-	(1,127,281)
12	<u>Return</u>	590,581,372	59,339,704	649,921,076
13	<u>Rate Base</u>			
14	Plant in Service	9,975,235,638	-	9,975,235,638
15	Reserve for Depreciation	3,821,325,420	-	3,821,325,420
16	Net Plant	6,153,910,218	-	6,153,910,218
17	Construction Work in Progress	330,590,484	-	330,590,484
18	Deferred Debits / Credits	2,042,661,963	-	2,042,661,963
19	Total Working Capital	(109,248,623)	-	(109,248,623)
20	Materials & Supplies	315,567,251	-	315,567,251
21	Accumulated Deferred Income Taxes	(788,232,866)	-	(788,232,866)
22	Total Rate Base	7,945,248,426	-	7,945,248,426
23	<u>Rate of Return</u>	7.43%		8.18%
23	<u>Return on Equity</u>	8.83%		10.25%

*No rate case is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under this proposal.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017**

<u>ADJ. #</u>	<u>DESCRIPTION</u>	<u>REVENUES</u>	<u>O & M EXPENSES</u>	<u>DEPREC. & AMORT. EXPENSE</u>	<u>TAXES INCOME</u>	<u>STATE @ 5%</u>	<u>FEDERAL @ 35%</u>	<u>PLANT IN SERVICE</u>	<u>ACCUM. DEPREC.</u>	<u>CWIP</u>	<u>MATERIALS & SUPPLIES</u>	<u>ADIT</u>	<u>DEFERRED DBT/CRDT</u>	<u>WORKING CAPITAL</u>
1	WAGES, BENEFITS & PAYROLL TAXES		3,116,709		220,420	(166,856)	(1,109,596)							389,589
2	INCENTIVE COMPENSATION ADJUSTMENT		(881,515)		(148,052)	51,478	342,331							(110,189)
3	ANNUALIZE HEALTH CARE		2,612,162			(130,608)	(868,544)							326,520
4	REMOVE EMPLOYEE CLUBS			(135,767)		6,788	45,143	(5,555,540)	(2,185,461)					
5	PROPERTY RETIREMENTS					-	-	(99,842)	(99,842)					
6	NEW NUCLEAR ADJUSTMENTS	(84,733,640)	(12,296,946)	166,350,000	(1,223,815)	(11,878,144)	(78,989,657)				(123,018,743)		(166,196,075)	(1,537,118)
7	CWIP					-	-	66,413		(66,413)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,517,937		(175,897)	(1,169,714)		9,169,744					
9	ADJUST PROPERTY TAXES				8,310,903	(415,545)	(2,763,375)							
10	ANNUALIZE INSURANCE EXPENSE		(585,605)			29,280	194,714							(73,201)
11	OPEB		203,185			(10,159)	(67,559)						(152,490)	25,398
12	TAX EFFECT OF ANNUALIZED INTEREST					376,892	2,506,333							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)							(1,480,025)
14	FOSSIL FUEL INVENTORY					-	-				14,319,782			
15	DOMINION RATE BUY DOWN	136,000,000			607,512	6,769,624	45,018,002							
16	TAX REFORM - CURRENT EXPENSE	(60,000,000)			(268,020)	(2,986,599)	(56,745,381)							
17	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(52,000,000)			(232,284)	(2,588,386)	(49,179,330)					(6,000,000)	23,000,000	
TOTAL		(97,521,338)	(19,672,209)	169,732,170	7,102,333	(12,357,290)	(151,027,037)	(5,588,969)	6,884,441	(66,413)	(108,698,961)	(6,000,000)	(143,348,565)	(2,459,026)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,032,558		214,469	(162,351)	(1,079,637)							379,070
2	INCENTIVE COMPENSATION ADJUSTMENT		(857,714)		(144,055)	50,088	333,088							(107,214)
3	ANNUALIZE HEALTH CARE		2,541,634			(127,082)	(845,093)							317,704
4	REMOVE EMPLOYEE CLUBS			(132,667)		6,633	44,112	(5,437,998)	(2,135,560)	-				-
5	PROPERTY RETIREMENTS							(97,698)	(97,536)					
6	NEW NUCLEAR ADJUSTMENTS	(84,733,640)	(11,964,928)	166,350,000	(1,200,992)	(11,895,886)	(79,107,642)				(118,036,484)		(167,984,303)	(1,495,616)
7	CWIP							64,548		(64,548)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,448,305		(172,415)	(1,146,561)		8,909,548					
9	ADJUST PROPERTY TAXES				8,135,065	(406,753)	(2,704,909)							
10	ANNUALIZE INSURANCE EXPENSE		(573,215)			28,661	190,594							(71,652)
11	OPEB		197,699			(9,885)	(65,735)						(148,373)	24,712
12	TAX EFFECT OF ANNUALIZED INTEREST					372,790	2,479,054							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)							(1,480,025)
14	FOSSIL FUEL INVENTORY										13,739,831			
15	DOMINION RATE BUY DOWN	136,000,000			607,512	6,769,624	45,018,002							
16	TAX REFORM - CURRENT EXPENSE	(60,000,000)			(268,020)	(2,986,599)	(56,745,381)							
17	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(52,000,000)			(232,284)	(2,588,386)	(49,179,330)					(6,000,000)	23,000,000	
TOTAL		(97,521,338)	(19,464,165)	169,665,638	6,947,364	(12,360,719)	(151,049,842)	(5,471,148)	6,676,452	(64,548)	(104,296,653)	(6,000,000)	(145,132,676)	(2,433,021)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description (Col. 1)	Requested (\$000's) (Col. 2)
1	Jurisdictional Rate Base	7,945,248,426
2	Required Rate of Return	8.18%
3	Required Return	649,921,321
4	Actual Return Earned	<u>590,581,372</u>
5	Required Increase to Return	59,339,949
6	Factor to Remove Customer Growth	<u>1.004084</u>
7	Additional Return Required from Revenue Increase	59,098,606
8	Composite Tax Factor	<u>0.74715</u>
9	Required Revenue Increase	<u>79,098,716</u>
10	Proposed Revenue Increase	<u>79,098,716</u>
Additional Expenses		
11	Gross Receipts Tax @ 0.4467%	353,334
12	State Income Tax @ 5%	3,937,269
13	Federal Income Tax @ 21%	<u>15,709,704</u>
14	Total Taxes	<u>20,000,307</u>
15	Additional Return	59,098,409
16	Additional Customer Growth	<u>241,295</u>
17	Total Additional Return	59,339,704
18	Earned Return	<u>590,581,372</u>
19	Total Return as Adjusted	649,921,076
20	Rate Base	7,945,248,426
21	Rate of Return	8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF FIXED ASSETS - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
Gross Plant in Service					
1	Intangible Plant	78,405,819	-	78,405,819	76,746,944
2	Production	4,706,858,398	40,631	4,706,899,029	4,557,690,330
3	Transmission	1,597,292,477	-	1,597,292,477	1,544,022,773
4	Distribution	3,282,888,427	-	3,282,888,427	3,282,527,309
5	General	203,125,184	(73,086)	203,052,098	198,756,014
6	Common (1)	327,868,104	(5,556,514)	322,311,590	315,492,269
7	Total Gross Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440	9,975,235,638
Construction Work in Progress					
8	Production	91,607,336	(43,631)	91,563,705	88,661,136
9	Transmission	179,302,306	-	179,302,306	173,322,574
10	Distribution	20,352,263	-	20,352,263	20,350,024
11	General	2,161,207	(22,782)	2,138,425	2,093,181
12	Intangible	45,267,595	-	45,267,595	44,309,844
13	Common (1)	1,893,793	-	1,893,793	1,853,726
14	Total Construction Work in Progress	340,584,501	(66,413)	340,518,088	330,590,484
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Production	2,210,492,070	1,296,205	2,211,788,275	2,141,674,586
2	Transmission	362,089,771	6,779,767	368,869,538	356,586,183
3	Distribution	1,029,365,366	1,393,364	1,030,758,730	1,030,645,347
4	General & Intangible Plant	154,852,942	(133,991)	154,718,951	151,186,246
5	Common (1)	<u>146,984,095</u>	<u>(2,450,904)</u>	<u>144,533,191</u>	<u>141,233,058</u>
6	Total	<u>3,903,784,244</u>	<u>6,884,441</u>	<u>3,910,668,685</u>	<u>3,821,325,420</u>
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
MATERIALS AND SUPPLIES - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Fuel Stock				
1	Nuclear	253,203,767	(123,018,743)	130,185,024	124,912,530
2	Fossil	<u>44,013,673</u>	<u>14,319,782</u>	<u>58,333,455</u>	<u>55,970,950</u>
3	Total Fuel Stock	297,217,440	(108,698,961)	188,518,479	180,883,480
4	Emission Allowances	636,699	-	636,699	610,913
5	Other Electric Materials and Supplies	<u>136,970,825</u>	<u>-</u>	<u>136,970,825</u>	<u>134,072,858</u>
6	Total	434,824,964	(108,698,961)	326,126,003	315,567,251

DEFERRED DEBITS / CREDITS - ELECTRIC
AT DECEMBER 31, 2017

7	Environmental	(450,300)	-	(450,300)	(437,683)
8	Wateree Scrubber Deferral - Ratebase Adj	18,082,559	-	18,082,559	17,509,342
9	Abandoned Nuclear Units	3,975,520,191	(1,261,426,366)	2,714,093,825	2,621,000,407
10	FASB 106 Rate Base Reduction	(119,484,881)	(152,490)	(119,637,371)	(116,407,162)
11	Pension Deferral - Rate Base Adj	39,561,677	-	39,561,677	38,493,512
12	Canadys Retirement - Rate Base Adj	78,662,284	-	78,662,284	76,168,689
13	Toshiba Settlement	(1,095,230,291)	1,095,230,291	-	-
14	Tax Deferrals	(630,021,600)	23,000,000	(607,021,600)	(593,665,142)
15	Total	2,266,639,639	(143,348,565)	2,123,291,074	2,042,661,963

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WORKING CAPITAL INVESTMENT - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	118,803,511	(2,459,026)	116,344,485	112,700,615
2	Prepayments	<u>71,342,785</u>	<u>-</u>	<u>71,342,785</u>	<u>71,053,344</u>
3	Total Investor Advanced Funds	190,146,296	(2,459,026)	187,687,270	183,753,959
4	Less: Customer Deposits	(54,413,422)	-	(54,413,422)	(54,413,422)
5	Average Tax Accruals	(226,213,317)	-	(226,213,317)	(227,232,730)
6	Nuclear Refueling	(5,323,281)	-	(5,323,281)	(5,107,688)
7	Injuries and Damages	<u>(6,383,808)</u>	<u>-</u>	<u>(6,383,808)</u>	<u>(6,248,742)</u>
8	Total Working Capital	(102,187,532)	(2,459,026)	(104,646,558)	(109,248,623)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AT DECEMBER 31, 2017

<u>Description</u> (Col. 1)	<u>Pro Forma Amount</u> (Col. 2) \$	<u>Pro Forma</u> <u>Ratio</u> (Col. 3) %	<u>As Adjusted</u>		<u>After Proposed Increase</u>	
			<u>Pro Forma</u> <u>Embedded</u> <u>Cost/Rate</u> (Col. 4) %	<u>Overall</u> <u>Cost/Rate</u> (Col. 5) %	<u>Pro Forma</u> <u>Embedded</u> <u>Cost/Rate</u> (Col. 6) %	<u>Overall</u> <u>Cost/Rate</u> (Col. 7) %
Long Term Debt	4,928,770,000	47.11%	5.86%	2.76%	5.86%	2.76%
Preferred Stock	100,000	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	<u>5,533,469,980</u>	<u>52.89%</u>	8.83%	<u>4.67%</u>	10.25%	<u>5.42%</u>
Total	10,462,339,980	100.00%		7.43%		8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,664,426,229</u>	<u>(227,521,338)</u>	<u>2,436,904,891</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	657,825,785	-	657,825,785
4	O&M Expenses - Other	586,529,178	(19,672,209)	566,856,969
5	Depreciation & Amortization Expenses	275,631,254	65,517,124	341,148,378
6	Taxes Other Than Income	213,490,994	6,521,623	220,012,617
7	Total Income Taxes	<u>241,317,794</u>	<u>(168,219,224)</u>	<u>73,098,570</u>
8	Total Operating Expenses	<u>1,974,795,005</u>	<u>(115,852,685)</u>	<u>1,858,942,320</u>
9	Operating Return	689,631,224	(111,668,653)	577,962,571
10	Customer Growth	2,779,242	(455,681)	2,323,561
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>691,283,185</u>	<u>(112,124,334)</u>	<u>579,158,851</u>
13	<u>Rate Base</u>			
14	Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440
15	Reserve for Depreciation	<u>3,903,784,244</u>	<u>8,342,317</u>	<u>3,912,126,561</u>
16	Net Plant	6,292,654,165	(13,931,286)	6,278,722,879
17	Construction Work in Progress	340,584,501	(66,413)	340,518,088
18	Deferred Debits / Credits	2,266,639,639	(247,698,548)	2,018,941,091
19	Total Working Capital	(102,187,532)	(2,459,026)	(104,646,558)
20	Materials & Supplies	434,824,964	(108,698,961)	326,126,003
21	Accumulated Deferred Income Taxes	<u>(799,140,723)</u>	<u>(6,000,000)</u>	<u>(805,140,723)</u>
22	Total Rate Base	<u>8,433,375,014</u>	<u>(378,854,234)</u>	<u>8,054,520,780</u>
23	<u>Rate of Return</u>	8.20%		7.19%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,611,119,429</u>	<u>(227,521,338)</u>	<u>2,383,598,091</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	631,607,100	-	631,607,100
4	O&M Expenses - Other	572,298,891	(19,464,165)	552,834,726
5	Depreciation & Amortization Expenses	269,337,754	65,440,056	334,777,810
6	Taxes Other Than Income	208,740,981	6,366,654	215,107,635
7	Total Income Taxes	<u>248,572,997</u>	<u>(168,279,730)</u>	<u>80,293,267</u>
8	Total Operating Expenses	<u>1,930,557,723</u>	<u>(115,937,184)</u>	<u>1,814,620,539</u>
9	Operating Return	680,561,706	(111,584,154)	568,977,552
10	Customer Growth	2,779,242	(455,681)	2,323,561
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>682,213,667</u>	<u>(112,039,835)</u>	<u>570,173,832</u>
13	<u>Rate Base</u>			
14	Plant in Service	9,980,706,786	(5,471,148)	9,975,235,638
15	Reserve for Depreciation	<u>3,814,648,968</u>	<u>8,086,313</u>	<u>3,822,735,281</u>
16	Net Plant	6,166,057,818	(13,557,461)	6,152,500,357
17	Construction Work in Progress	330,655,032	(64,548)	330,590,484
18	Deferred Debits / Credits	2,187,794,639	(245,903,455)	1,941,891,184
19	Total Working Capital	(106,815,602)	(2,433,021)	(109,248,623)
20	Materials & Supplies	419,863,904	(104,296,653)	315,567,251
21	Accumulated Deferred Income Taxes	<u>(782,232,866)</u>	<u>(6,000,000)</u>	<u>(788,232,866)</u>
22	Total Rate Base	<u>8,215,322,925</u>	<u>(372,255,138)</u>	<u>7,843,067,787</u>
23	<u>Rate of Return</u>	8.30%		7.27%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

(\$000's)			
Line No.	Description	Retail As Adjusted	Total After Hypothetical Increase
	(Col. 1)	(Col. 2)	(Col. 3)
1	<u>Operating Revenues</u>	2,383,598,091	2,478,758,050
2	<u>Operating Expenses</u>		
3	O&M Expenses - Fuel	631,607,100	631,607,100
4	O&M Expenses - Other	552,834,726	552,834,726
5	Depreciation & Amortization Expenses	334,777,810	334,777,810
6	Taxes Other Than Income	215,107,635	215,532,715
7	Total Income Taxes	80,293,267	103,929,620
8	Total Operating Expenses	1,814,620,539	1,838,681,971
9	Operating Return	568,977,552	640,076,079
10	Customer Growth	2,323,561	2,613,861
11	Interest on Customer Deposits	(1,127,281)	(1,127,281)
12	<u>Return</u>	570,173,832	641,562,660
13	<u>Rate Base</u>		
14	Plant in Service	9,975,235,638	9,975,235,638
15	Reserve for Depreciation	3,822,735,281	3,822,735,281
16	Net Plant	6,152,500,357	6,152,500,357
17	Construction Work in Progress	330,590,484	330,590,484
18	Deferred Debits / Credits	1,941,891,184	1,941,891,184
19	Total Working Capital	(109,248,623)	(109,248,623)
20	Materials & Supplies	315,567,251	315,567,251
21	Accumulated Deferred Income Taxes	(788,232,866)	(788,232,866)
22	Total Rate Base	7,843,067,787	7,843,067,787
23	Rate of Return	7.27%	8.18%
23	Return on Equity	8.53%	10.25%

*No rate case is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under this proposal.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,116,709		220,420	(166,856)	(1,109,596)							389,589
2	INCENTIVE COMPENSATION ADJUSTMENT		(881,515)		(148,052)	51,478	342,331							(110,189)
3	ANNUALIZE HEALTH CARE		2,612,162			(130,608)	(868,544)							326,520
4	REMOVE EMPLOYEE CLUBS			(135,767)		6,788	45,143	(5,555,540)	(2,185,461)					
5	PROPERTY RETIREMENTS					-	-	(99,842)	(99,842)					
6	NEW NUCLEAR ADJUSTMENTS	(84,733,640)	(12,296,946)	61,802,574	(1,223,815)	(6,650,773)	(44,227,638)				(123,018,743)		(270,546,058)	(1,537,118)
7	CWIP					-	-	66,413		(66,413)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,850,317		(192,516)	(1,280,230)		10,627,620					
9	ADJUST PROPERTY TAXES				8,310,903	(415,545)	(2,763,375)							
10	ANNUALIZE INSURANCE EXPENSE		(585,605)			29,280	194,714							(73,201)
11	OPEB		203,185			(10,159)	(67,559)						(152,490)	25,398
12	TAX EFFECT OF ANNUALIZED INTEREST					522,941	3,477,559							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,403)							(1,480,025)
14	FOSSIL FUEL INVENTORY					-	-				14,319,782			
15	TAX REFORM - CURRENT EXPENSE	(79,000,000)			(352,893)	(3,932,355)	(74,714,752)							
16	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(27,000,000)			(120,609)	(1,343,970)	(25,535,421)					(6,000,000)	23,000,000	
	TOTAL	(227,521,338)	(19,672,209)	65,517,124	6,521,623	(13,471,453)	(154,747,771)	(5,588,969)	8,342,317	(66,413)	(108,698,961)	(6,000,000)	(247,698,548)	(2,459,026)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME TAX INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,032,558		214,469	(162,351)	(1,079,637)							379,070
2	INCENTIVE COMPENSATION ADJUSTMENT		(857,714)		(144,055)	50,088	333,088							(107,214)
3	ANNUALIZE HEALTH CARE		2,541,634			(127,082)	(845,093)							317,704
4	REMOVE EMPLOYEE CLUBS			(132,667)		6,633	44,112	(5,437,998)	(2,135,560)	-				-
5	PROPERTY RETIREMENTS							(97,698)	(97,536)					
6	NEW NUCLEAR ADJUSTMENTS	(84,733,640)	(11,964,928)	61,802,574	(1,200,992)	(6,668,515)	(44,345,623)				(118,036,484)		(268,755,082)	(1,495,616)
7	CWIP							64,548		(64,548)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,770,149		(188,507)	(1,253,575)		10,319,409					
9	ADJUST PROPERTY TAXES				8,135,065	(406,753)	(2,704,909)							
10	ANNUALIZE INSURANCE EXPENSE		(573,215)			28,661	190,594							(71,652)
11	OPEB		197,699			(9,885)	(65,735)						(148,373)	24,712
12	TAX EFFECT OF ANNUALIZED INTEREST					513,832	3,416,985							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,403)							(1,480,025)
14	FOSSIL FUEL INVENTORY										13,739,831			
15	TAX REFORM - CURRENT EXPENSE	(79,000,000)			(352,893)	(3,932,355)	(74,714,752)							
16	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(27,000,000)			(120,609)	(1,343,970)	(25,535,421)					(6,000,000)	23,000,000	
	TOTAL	(227,521,338)	(19,464,165)	65,440,056	6,366,654	(13,479,361)	(154,800,369)	(5,471,148)	8,086,313	(64,548)	(104,296,653)	(6,000,000)	(245,903,455)	(2,433,021)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description (Col. 1)	Requested (\$000's) (Col. 2)
1	Jurisdictional Rate Base	7,843,067,787
2	Required Rate of Return	8.18%
3	Required Return	641,562,945
4	Actual Return Earned	<u>570,173,832</u>
5	Required Increase to Return	71,389,113
6	Factor to Remove Customer Growth	<u>1.004084</u>
7	Additional Return Required from Revenue Increase	71,098,763
8	Composite Tax Factor	<u>0.74715</u>
9	Required Revenue Increase	<u>95,159,959</u>
10	Proposed Revenue Increase	<u>95,159,959</u>
Additional Expenses		
11	Gross Receipts Tax @ 0.4467%	425,080
12	State Income Tax @ 5%	4,736,744
13	Federal Income Tax @ 21%	<u>18,899,608</u>
14	Total Taxes	<u>24,061,432</u>
15	Additional Return	71,098,527
16	Additional Customer Growth	<u>290,300</u>
17	Total Additional Return	71,388,827
18	Earned Return	<u>570,173,832</u>
19	Total Return as Adjusted	641,562,660
20	Rate Base	7,843,067,787
21	Rate of Return	8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF FIXED ASSETS - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
Gross Plant in Service					
1	Intangible Plant	78,405,819	-	78,405,819	76,746,944
2	Production	4,706,858,398	40,631	4,706,899,029	4,557,690,330
3	Transmission	1,597,292,477	-	1,597,292,477	1,544,022,773
4	Distribution	3,282,888,427	-	3,282,888,427	3,282,527,309
5	General	203,125,184	(73,086)	203,052,098	198,756,014
6	Common (1)	327,868,104	(5,556,514)	322,311,590	315,492,269
7	Total Gross Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440	9,975,235,638
Construction Work in Progress					
8	Production	91,607,336	(43,631)	91,563,705	88,661,136
9	Transmission	179,302,306	-	179,302,306	173,322,574
10	Distribution	20,352,263	-	20,352,262	20,350,024
11	General	2,161,207	(22,782)	2,138,425	2,093,181
12	Intangible	45,267,595	-	45,267,595	44,309,844
13	Common (1)	1,893,793	-	1,893,793	1,853,726
14	Total Construction Work in Progress	340,584,501	(66,413)	340,518,088	330,590,484
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Production	2,210,492,070	1,628,585	2,212,120,655	2,141,996,430
2	Transmission	362,089,771	7,905,263	369,995,034	357,674,199
3	Distribution	1,029,365,366	1,393,364	1,030,758,730	1,030,645,347
4	General & Intangible Plant	154,852,942	(133,991)	154,718,951	151,186,246
5	Common (1)	<u>146,984,095</u>	<u>(2,450,904)</u>	<u>144,533,191</u>	<u>141,233,059</u>
6	Total	<u>3,903,784,244</u>	<u>8,342,317</u>	<u>3,912,126,561</u>	<u>3,822,735,281</u>
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
MATERIALS AND SUPPLIES - ELECTRIC
AT DECEMBER 31, 2017

Line No.	Description	(\$000's)			
		Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Fuel Stock				
1	Nuclear	253,203,767	(123,018,743)	130,185,024	124,912,530
2	Fossil	<u>44,013,673</u>	<u>14,319,782</u>	<u>58,333,455</u>	<u>55,970,950</u>
3	Total Fuel Stock	297,217,440	(108,698,961)	188,518,479	180,883,480
4	Emission Allowances	636,699	-	636,699	610,913
5	Other Electric Materials and Supplies	<u>136,970,825</u>	<u>-</u>	<u>136,970,825</u>	<u>134,072,858</u>
6	Total	<u>434,824,964</u>	<u>(108,698,961)</u>	<u>326,126,003</u>	<u>315,567,251</u>

DEFERRED DEBITS / CREDITS - ELECTRIC
AT DECEMBER 31, 2017

7	Environmental	(450,300)	-	(450,300)	(437,683)
8	Wateree Scrubber Deferral - Ratebase Adj	18,082,559	-	18,082,559	17,509,342
9	Abandoned Nuclear Units	3,975,520,191	(1,365,776,349)	2,609,743,842	2,520,229,628
10	FASB 106 Rate Base Reduction	(119,484,881)	(152,490)	(119,637,371)	(116,407,162)
11	Pension Deferral - Rate Base Adj	39,561,677	-	39,561,677	38,493,512
12	Canadys Retirement - Rate Base Adj	78,662,284	-	78,662,284	76,168,689
13	Toshiba Settlement	(1,095,230,291)	1,095,230,291	-	-
14	Tax Deferrals	<u>(630,021,600)</u>	<u>23,000,000</u>	<u>(607,021,600)</u>	<u>(593,665,142)</u>
15	Total	2,266,639,639	(247,698,548)	2,018,941,091	1,941,891,184

SOUTH CAROLINA ELECTRIC & GAS COMPANY
 WORKING CAPITAL INVESTMENT - ELECTRIC
 AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	118,803,511	(2,459,026)	116,344,485	112,700,615
2	Prepayments	<u>71,342,785</u>	<u>-</u>	<u>71,342,785</u>	<u>71,053,344</u>
3	Total Investor Advanced Funds	190,146,296	(2,459,026)	187,687,270	183,753,959
4	Less: Customer Deposits	(54,413,422)	-	(54,413,422)	(54,413,422)
5	Average Tax Accruals	(226,213,317)	-	(226,213,317)	(227,232,730)
6	Nuclear Refueling	(5,323,281)	-	(5,323,281)	(5,107,688)
7	Injuries and Damages	<u>(6,383,808)</u>	<u>-</u>	<u>(6,383,808)</u>	<u>(6,248,742)</u>
8	Total Working Capital	(102,187,532)	(2,459,026)	(104,646,558)	(109,248,623)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AT DECEMBER 31, 2017

<u>Description</u> (Col. 1)	<u>Pro Forma Amount</u> (Col. 2) \$	<u>Pro Forma</u> <u>Ratio</u> (Col. 3) %	<u>As Adjusted</u>		<u>After Proposed Increase</u>	
			<u>Pro Forma</u> <u>Embedded</u> <u>Cost/Rate</u> (Col. 4) %	<u>Overall</u> <u>Cost/Rate</u> (Col. 5) %	<u>Pro Forma</u> <u>Embedded</u> <u>Cost/Rate</u> (Col. 6) %	<u>Overall</u> <u>Cost/Rate</u> (Col. 7) %
Long Term Debt	4,928,770,000	47.11%	5.86%	2.76%	5.86%	2.76%
Preferred Stock	100,000	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	<u>5,533,469,980</u>	<u>52.89%</u>	8.53%	<u>4.51%</u>	10.25%	<u>5.42%</u>
Total	10,462,339,980	100.00%		7.27%		8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,664,426,229</u>	<u>(156,787,698)</u>	<u>2,507,638,531</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	657,825,785	-	657,825,785
4	O&M Expenses - Other	586,529,178	(19,672,209)	566,856,969
5	Depreciation & Amortization Expenses	275,631,254	75,317,124	350,948,378
6	Taxes Other Than Income	213,490,994	6,837,590	220,328,584
7	Total Income Taxes	<u>241,317,794</u>	<u>(156,772,566)</u>	<u>84,545,228</u>
8	Total Operating Expenses	<u>1,974,795,005</u>	<u>(94,290,061)</u>	<u>1,880,504,944</u>
9	Operating Return	689,631,224	(62,497,637)	627,133,587
10	Customer Growth	2,779,242	(255,318)	2,523,924
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>691,283,185</u>	<u>(62,752,955)</u>	<u>628,530,230</u>
13	<u>Rate Base</u>			
14	Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440
15	Reserve for Depreciation	<u>3,903,784,244</u>	<u>8,342,317</u>	<u>3,912,126,561</u>
16	Net Plant	6,292,654,165	(13,931,286)	6,278,722,880
17	Construction Work in Progress	340,584,501	(66,413)	340,518,088
18	Deferred Debits / Credits	2,266,639,639	49,022,552	2,315,662,191
19	Total Working Capital	(102,187,532)	(2,459,026)	(104,646,558)
20	Materials & Supplies	434,824,964	(108,698,961)	326,126,003
21	Accumulated Deferred Income Taxes	<u>(799,140,723)</u>	<u>(6,000,000)</u>	<u>(805,140,723)</u>
22	Total Rate Base	<u>8,433,375,014</u>	<u>(82,133,134)</u>	<u>8,351,241,880</u>
23	<u>Rate of Return</u>	8.20%		7.53%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,611,119,429</u>	<u>(156,787,698)</u>	<u>2,454,331,731</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	631,607,100	-	631,607,100
4	O&M Expenses - Other	572,298,891	(19,464,165)	552,834,726
5	Depreciation & Amortization Expenses	269,337,754	75,240,056	344,577,810
6	Taxes Other Than Income	208,740,981	6,682,621	215,423,602
7	Total Income Taxes	<u>248,572,997</u>	<u>(156,725,603)</u>	<u>91,847,394</u>
8	Total Operating Expenses	<u>1,930,557,723</u>	<u>(94,267,091)</u>	<u>1,836,290,632</u>
9	Operating Return	680,561,706	(62,520,607)	618,041,099
10	Customer Growth	2,779,242	(255,318)	2,523,924
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>682,213,667</u>	<u>(62,775,925)</u>	<u>619,437,742</u>
13	<u>Rate Base</u>			
14	Plant in Service	9,980,706,786	(5,471,148)	9,975,235,638
15	Reserve for Depreciation	<u>3,814,648,968</u>	<u>8,086,313</u>	<u>3,822,735,281</u>
16	Net Plant	6,166,057,818	(13,557,461)	6,152,500,357
17	Construction Work in Progress	330,655,032	(64,548)	330,590,484
18	Deferred Debits / Credits	2,187,794,639	40,640,111	2,228,434,750
19	Total Working Capital	(106,815,602)	(2,433,021)	(109,248,623)
20	Materials & Supplies	419,863,904	(104,296,653)	315,567,251
21	Accumulated Deferred Income Taxes	<u>(782,232,866)</u>	<u>(6,000,000)</u>	<u>(788,232,866)</u>
22	Total Rate Base	<u>8,215,322,925</u>	<u>(85,711,570)</u>	<u>8,129,611,354</u>
23	<u>Rate of Return</u>	8.30%		7.62%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

		(\$000's)	
Line No.	Description	Retail As Adjusted	Total After Hypothetical Increase
	(Col. 1)	(Col. 2)	(Col. 3)
1	<u>Operating Revenues</u>	2,454,331,731	2,515,068,063
2	<u>Operating Expenses</u>		
3	O&M Expenses - Fuel	631,607,100	631,607,100
4	O&M Expenses - Other	552,834,726	552,834,726
5	Depreciation & Amortization Expenses	344,577,810	344,577,810
6	Taxes Other Than Income	215,423,602	215,694,911
7	Total Income Taxes	91,847,394	106,933,417
8	Total Operating Expenses	1,836,290,632	1,851,647,965
9	Operating Return	618,041,099	663,420,098
10	Customer Growth	2,523,924	2,709,192
11	Interest on Customer Deposits	(1,127,281)	(1,127,281)
12	<u>Return</u>	619,437,742	665,002,009
13	<u>Rate Base</u>		
14	Plant in Service	9,975,235,638	9,975,235,638
15	Reserve for Depreciation	3,822,735,281	3,822,735,281
16	Net Plant	6,152,500,357	6,152,500,357
17	Construction Work in Progress	330,590,484	330,590,484
18	Deferred Debits / Credits	2,228,434,750	2,228,434,750
19	Total Working Capital	(109,248,623)	(109,248,623)
20	Materials & Supplies	315,567,251	315,567,251
21	Accumulated Deferred Income Taxes	(788,232,866)	(788,232,866)
22	Total Rate Base	8,129,611,354	8,129,611,354
23	<u>Rate of Return</u>	7.62%	8.18%
23	<u>Return on Equity</u>	9.19%	10.25%

*No rate case is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under this proposal.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,116,709		220,420	(166,856)	(1,109,596)							389,589
2	INCENTIVE COMPENSATION ADJUSTMENT		(881,515)		(148,052)	51,478	342,331							(110,189)
3	ANNUALIZE HEALTH CARE		2,612,162			(130,608)	(868,544)							326,520
4	REMOVE EMPLOYEE CLUBS			(135,767)		6,788	45,143	(5,555,540)	(2,185,461)					
5	PROPERTY RETIREMENTS					-	-	(99,842)	(99,842)					
6	NEW NUCLEAR ADJUSTMENTS		(12,296,946)	71,602,574	(845,310)	(2,923,016)	(19,438,056)				(123,018,743)		26,175,042	(1,537,118)
7	CWIP					-	-	66,413		(66,413)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT RATES			3,850,317		(192,516)	(1,280,230)		10,627,620					
9	ADJUST PROPERTY TAXES				8,310,903	(415,545)	(2,763,375)							
10	ANNUALIZE INSURANCE EXPENSE		(585,605)			29,280	194,714							(73,201)
11	OPEB		203,185			(10,159)	(67,559)						(152,490)	25,398
12	TAX EFFECT OF ANNUALIZED INTEREST					113,370	753,912							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)							(1,480,025)
14	FOSSIL FUEL INVENTORY					-	-				14,319,782			
15	TAX REFORM - CURRENT EXPENSE	(91,000,000)			(406,497)	(4,529,675)	(86,063,828)							
16	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(29,000,000)			(129,543)	(1,443,523)	(27,426,934)					(6,000,000)	23,000,000	
	TOTAL	(156,787,698)	(19,672,209)	75,317,124	6,837,590	(10,850,140)	(145,922,426)	(5,588,969)	8,342,317	(66,413)	(108,698,961)	(6,000,000)	49,022,552	(2,459,026)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME TAX INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,032,558		214,469	(162,351)	(1,079,637)							379,070
2	INCENTIVE COMPENSATION ADJUSTMENT		(857,714)		(144,055)	50,088	333,088							(107,214)
3	ANNUALIZE HEALTH CARE		2,541,634			(127,082)	(845,093)							317,704
4	REMOVE EMPLOYEE CLUBS			(132,667)		6,633	44,112	(5,437,998)	(2,135,560)	-				-
5	PROPERTY RETIREMENTS							(97,698)	(97,536)					
6	NEW NUCLEAR ADJUSTMENTS	(11,964,928)	71,602,574	(822,487)	(2,940,758)	(19,556,041)					(118,036,484)		17,788,484	(1,495,616)
7	CWIP							64,548		(64,548)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,770,149		(188,507)	(1,253,575)		10,319,409					
9	ADJUST PROPERTY TAXES				8,135,065	(406,753)	(2,704,909)							
10	ANNUALIZE INSURANCE EXPENSE		(573,215)			28,661	190,594							(71,652)
11	OPEB		197,699			(9,885)	(65,735)						(148,373)	24,712
12	TAX EFFECT OF ANNUALIZED INTEREST					118,310	786,759							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)							(1,480,025)
14	FOSSIL FUEL INVENTORY										13,739,831			
15	TAX REFORM - CURRENT EXPENSE	(91,000,000)			(406,497)	(4,529,675)	(86,063,828)							
16	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(29,000,000)			(129,543)	(1,443,523)	(27,426,934)					(6,000,000)	23,000,000	
	TOTAL	(156,787,698)	(19,464,165)	75,240,056	6,682,621	(10,844,000)	(145,881,603)	(5,471,148)	8,086,313	(64,548)	(104,296,653)	(6,000,000)	40,640,111	(2,433,021)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description (Col. 1)	Requested (\$000's) (Col. 2)
1	Jurisdictional Rate Base	8,129,611,354
2	Required Rate of Return	8.18%
3	Required Return	665,002,209
4	Actual Return Earned	619,437,742
5	Required Increase to Return	45,564,467
6	Factor to Remove Customer Growth	1.004084
7	Additional Return Required from Revenue Increase	45,379,150
8	Composite Tax Factor	0.74715
9	Required Revenue Increase	60,736,332
10	Proposed Revenue Increase	60,736,332
Additional Expenses		
11	Gross Receipts Tax @ 0.4467%	271,309
12	State Income Tax @ 5%	3,023,251
13	Federal Income Tax @ 21%	12,062,772
14	Total Taxes	15,357,332
15	Additional Return	45,378,999
16	Additional Customer Growth	185,268
17	Total Additional Return	45,564,268
18	Earned Return	619,437,742
19	Total Return as Adjusted	665,002,009
20	Rate Base	8,129,611,354
21	Rate of Return	8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF FIXED ASSETS - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
Gross Plant in Service					
1	Intangible Plant	78,405,819	-	78,405,819	76,746,944
2	Production	4,706,858,398	40,631	4,706,899,029	4,557,690,330
3	Transmission	1,597,292,477	-	1,597,292,477	1,544,022,773
4	Distribution	3,282,888,427	-	3,282,888,427	3,282,527,309
5	General	203,125,184	(73,086)	203,052,098	198,756,014
6	Common (1)	327,868,104	(5,556,514)	322,311,590	315,492,269
7	Total Gross Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440	9,975,235,638
Construction Work in Progress					
8	Production	91,607,336	(43,631)	91,563,705	88,661,136
9	Transmission	179,302,306	-	179,302,306	173,322,574
10	Distribution	20,352,263	-	20,352,263	20,350,024
11	General	2,161,207	(22,782)	2,138,425	2,093,181
12	Intangible	45,267,595	-	45,267,595	44,309,844
13	Common (1)	1,893,793	-	1,893,793	1,853,726
14	Total Construction Work in Progress	340,584,501	(66,413)	340,518,088	330,590,484
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AT DECEMBER 31, 2017

Line	(\$000's)				
No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Production	2,210,492,070	1,628,585	2,212,120,655	2,141,996,430
2	Transmission	362,089,771	7,905,263	369,995,034	357,674,199
3	Distribution	1,029,365,366	1,393,364	1,030,758,730	1,030,645,347
4	General & Intangible Plant	154,852,942	(133,991)	154,718,951	151,186,246
5	Common (1)	146,984,095	(2,450,904)	144,533,191	141,233,059
6	Total	3,903,784,244	8,342,317	3,912,126,561	3,822,735,281

(1) Electric Portion

SOUTH CAROLINA ELECTRIC & GAS COMPANY
MATERIALS AND SUPPLIES - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Fuel Stock				
1	Nuclear	253,203,767	(123,018,743)	130,185,024	124,912,530
2	Fossil	<u>44,013,673</u>	<u>14,319,782</u>	<u>58,333,455</u>	<u>55,970,950</u>
3	Total Fuel Stock	297,217,440	(108,698,961)	188,518,479	180,883,480
4	Emission Allowances	636,699	-	636,699	610,913
5	Other Electric Materials and Supplies	<u>136,970,825</u>	<u>-</u>	<u>136,970,825</u>	<u>134,072,858</u>
6	Total	434,824,964	(108,698,961)	326,126,003	315,567,251

DEFERRED DEBITS / CREDITS - ELECTRIC
AT DECEMBER 31, 2017

7	Environmental	(450,300)	-	(450,300)	(437,683)
8	Wateree Scrubber Deferral - Ratebase Adj	18,082,559	-	18,082,559	17,509,342
9	Abandoned Nuclear Units	3,975,520,191	(1,069,055,249)	2,906,464,942	2,806,773,194
10	FASB 106 Rate Base Reduction	(119,484,881)	(152,490)	(119,637,371)	(116,407,162)
11	Pension Deferral - Rate Base Adj	39,561,677	-	39,561,677	38,493,512
12	Canadys Retirement - Rate Base Adj	78,662,284	-	78,662,284	76,168,689
13	Toshiba Settlement	(1,095,230,291)	1,095,230,291	-	-
14	Tax Deferrals	(630,021,600)	23,000,000	(607,021,600)	(593,665,142)
15	Total	2,266,639,639	49,022,552	2,315,662,191	2,228,434,750

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WORKING CAPITAL INVESTMENT - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line		Regulatory Per			
No.	Description	Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	118,803,511	(2,459,026)	116,344,485	112,700,615
2	Prepayments	<u>71,342,785</u>	<u>-</u>	<u>71,342,785</u>	<u>71,053,344</u>
3	Total Investor Advanced Funds	190,146,296	(2,459,026)	187,687,270	183,753,959
4	Less: Customer Deposits	(54,413,422)	-	(54,413,422)	(54,413,422)
5	Average Tax Accruals	(226,213,317)	-	(226,213,317)	(227,232,730)
6	Nuclear Refueling	(5,323,281)	-	(5,323,281)	(5,107,688)
7	Injuries and Damages	<u>(6,383,808)</u>	<u>-</u>	<u>(6,383,808)</u>	<u>(6,248,742)</u>
8	Total Working Capital	<u>(102,187,532)</u>	<u>(2,459,026)</u>	<u>(104,646,558)</u>	<u>(109,248,623)</u>

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AT DECEMBER 31, 2017

<u>Description</u> (Col. 1)	<u>Pro Forma Amount</u> (Col. 2) \$	<u>Pro Forma</u> <u>Ratio</u> (Col. 3) %	<u>As Adjusted</u>		<u>After Proposed Increase</u>	
			<u>Pro Forma</u> <u>Embedded</u> <u>Cost/Rate</u> (Col. 4) %	<u>Overall</u> <u>Cost/Rate</u> (Col. 5) %	<u>Pro Forma</u> <u>Embedded</u> <u>Cost/Rate</u> (Col. 6) %	<u>Overall</u> <u>Cost/Rate</u> (Col. 7) %
Long Term Debt	4,928,770,000	47.11%	5.86%	2.76%	5.86%	2.76%
Preferred Stock	100,000	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	<u>5,533,469,980</u>	<u>52.89%</u>	9.19%	<u>4.86%</u>	10.25%	<u>5.42%</u>
Total	10,462,339,980	100.00%		7.62%		8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,664,426,229</u>	<u>(471,145,510)</u>	<u>2,193,280,719</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	657,825,785	-	657,825,785
4	O&M Expenses - Other	586,529,178	(19,672,209)	566,856,969
5	Depreciation & Amortization Expenses	275,631,254	27,192,888	302,824,142
6	Taxes Other Than Income	213,490,994	5,433,354	218,924,348
7	Total Income Taxes	<u>241,317,794</u>	<u>(206,945,773)</u>	<u>34,372,021</u>
8	Total Operating Expenses	<u>1,974,795,005</u>	<u>(193,991,740)</u>	<u>1,780,803,265</u>
9	Operating Return	689,631,224	(277,153,770)	412,477,454
10	Customer Growth	2,779,242	(1,129,322)	1,649,920
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>691,283,185</u>	<u>(278,283,092)</u>	<u>413,000,093</u>
13	<u>Rate Base</u>			
14	Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440
15	Reserve for Depreciation	<u>3,903,784,244</u>	<u>8,342,317</u>	<u>3,912,126,561</u>
16	Net Plant	6,292,654,165	(13,931,286)	6,278,722,880
17	Construction Work in Progress	340,584,501	(66,413)	340,518,088
18	Deferred Debits / Credits	2,266,639,639	(1,707,003,845)	559,635,795
19	Total Working Capital	(102,187,532)	(2,459,026)	(104,646,558)
20	Materials & Supplies	434,824,964	(108,698,961)	326,126,003
21	Accumulated Deferred Income Taxes	<u>(799,140,723)</u>	<u>(6,000,000)</u>	<u>(805,140,723)</u>
22	Total Rate Base	<u>8,433,375,014</u>	<u>(1,838,159,530)</u>	<u>6,595,215,484</u>
23	<u>Rate of Return</u>	8.20%		6.26%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>2,611,119,429</u>	<u>(471,145,510)</u>	<u>2,139,973,919</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	631,607,100	-	631,607,100
4	O&M Expenses - Other	572,298,891	(19,464,165)	552,834,726
5	Depreciation & Amortization Expenses	269,337,754	27,115,820	296,453,574
6	Taxes Other Than Income	208,740,981	5,278,385	214,019,366
7	Total Income Taxes	<u>248,572,997</u>	<u>(207,534,824)</u>	<u>41,038,173</u>
8	Total Operating Expenses	<u>1,930,557,723</u>	<u>(194,604,784)</u>	<u>1,735,952,939</u>
9	Operating Return	680,561,706	(276,540,726)	404,020,980
10	Customer Growth	2,779,242	(1,129,322)	1,649,920
11	Interest on Customer Deposits	<u>(1,127,281)</u>	<u>-</u>	<u>(1,127,281)</u>
12	<u>Return</u>	<u>682,213,667</u>	<u>(277,670,048)</u>	<u>404,543,619</u>
13	<u>Rate Base</u>			
14	Plant in Service	9,980,706,786	(5,471,148)	9,975,235,638
15	Reserve for Depreciation	<u>3,814,648,968</u>	<u>8,086,313</u>	<u>3,822,735,281</u>
16	Net Plant	6,166,057,818	(13,557,461)	6,152,500,357
17	Construction Work in Progress	330,655,032	(64,548)	330,590,484
18	Deferred Debits / Credits	2,187,794,639	(1,655,154,580)	532,640,059
19	Total Working Capital	(106,815,602)	(2,433,021)	(109,248,623)
20	Materials & Supplies	419,863,904	(104,296,653)	315,567,251
21	Accumulated Deferred Income Taxes	<u>(782,232,866)</u>	<u>(6,000,000)</u>	<u>(788,232,866)</u>
22	Total Rate Base	<u>8,215,322,925</u>	<u>(1,781,506,261)</u>	<u>6,433,816,663</u>
23	<u>Rate of Return</u>	8.30%		6.29%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

		(\$000's)	
Line No.	Description	Retail As Adjusted	Total After Hypothetical Increase
	(Col. 1)	(Col. 2)	(Col. 3)
1	<u>Operating Revenues</u>	2,139,973,919	2,302,253,836
2	<u>Operating Expenses</u>		
3	O&M Expenses - Fuel	631,607,100	631,607,100
4	O&M Expenses - Other	552,834,726	552,834,726
5	Depreciation & Amortization Expenses	296,453,574	296,453,574
6	Taxes Other Than Income	214,019,366	214,744,270
7	Total Income Taxes	41,038,173	81,346,149
8	Total Operating Expenses	1,735,952,939	1,776,985,819
9	Operating Return	404,020,980	525,268,017
10	Customer Growth	1,649,920	2,145,014
11	Interest on Customer Deposits	(1,127,281)	(1,127,281)
12	<u>Return</u>	404,543,619	526,285,750
13	<u>Rate Base</u>		
14	Plant in Service	9,975,235,638	9,975,235,638
15	Reserve for Depreciation	3,822,735,281	3,822,735,281
16	Net Plant	6,152,500,357	6,152,500,357
17	Construction Work in Progress	330,590,484	330,590,484
18	Deferred Debits / Credits	532,640,059	532,640,059
19	Total Working Capital	(109,248,623)	(109,248,623)
20	Materials & Supplies	315,567,251	315,567,251
21	Accumulated Deferred Income Taxes	(788,232,866)	(788,232,866)
22	Total Rate Base	6,433,816,663	6,433,816,663
23	<u>Rate of Return</u>	6.29%	8.18%
23	<u>Return on Equity</u>	6.67%	10.25%

*No rate case is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under this proposal.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME TAX INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,116,709		220,420	(166,856)	(1,109,596)							389,589
2	INCENTIVE COMPENSATION ADJUSTMENT		(881,515)		(148,052)	51,478	342,331							(110,189)
3	ANNUALIZE HEALTH CARE		2,612,162			(130,608)	(868,544)							326,520
4	REMOVE EMPLOYEE CLUBS			(135,767)		6,788	45,143	(5,555,540)	(2,185,461)					
5	PROPERTY RETIREMENTS					-	-	(99,842)	(99,842)					
6	NEW NUCLEAR ADJUSTMENTS	(367,357,812)	(12,296,946)	23,478,338	(2,486,297)	(18,802,645)	(125,037,592)				(123,018,743)		(1,729,851,354)	(1,537,118)
7	CWIP					-	-	66,413		(66,413)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,850,317		(192,516)	(1,280,230)		10,627,620					
9	ADJUST PROPERTY TAXES				8,310,903	(415,545)	(2,763,375)							
10	ANNUALIZE INSURANCE EXPENSE		(585,605)			29,280	194,714							(73,201)
11	OPEB		203,185			(10,159)	(67,559)						(152,490)	25,398
12	TAX EFFECT OF ANNUALIZED INTEREST					2,537,254	16,872,738							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)							(1,480,025)
14	FOSSIL FUEL INVENTORY					-	-				14,319,782			
15	TAX REFORM - CURRENT EXPENSE	(44,000,000)			(196,548)	(2,190,173)	(41,613,280)							
16	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(23,000,000)			(102,741)	(1,144,863)	(21,752,396)					(6,000,000)	23,000,000	
TOTAL		(471,145,510)	(19,672,209)	27,192,888	5,433,354	(21,667,723)	(185,278,050)	(5,588,969)	8,342,317	(66,413)	(108,698,961)	(6,000,000)	(1,707,003,845)	(2,459,026)

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017**

<u>ADJ. #</u>	<u>DESCRIPTION</u>	<u>REVENUES</u>	<u>O & M EXPENSES</u>	<u>DEPREC. & AMORT. EXPENSE</u>	<u>TAXES INCOME</u>	<u>STATE @ 5%</u>	<u>FEDERAL INCOME TAX @ 35%</u>	<u>PLANT IN SERVICE</u>	<u>ACCUM. DEPREC.</u>	<u>CWIP</u>	<u>MATERIALS & SUPPLIES</u>	<u>ADIT</u>	<u>DEFERRED DBT/CRDT</u>	<u>WORKING CAPITAL</u>
1	WAGES, BENEFITS & PAYROLL TAXES		3,032,558		214,469	(162,351)	(1,079,637)							379,070
2	INCENTIVE COMPENSATION ADJUSTMENT		(857,714)		(144,055)	50,088	333,088							(107,214)
3	ANNUALIZE HEALTH CARE		2,541,634			(127,082)	(845,093)							317,704
4	REMOVE EMPLOYEE CLUBS			(132,667)		6,633	44,112	(5,437,998)	(2,135,560)	-				-
5	PROPERTY RETIREMENTS							(97,698)	(97,536)					
6	NEW NUCLEAR ADJUSTMENTS	(367,357,812)	(11,964,928)	23,478,338	(2,463,474)	(18,820,387)	(125,155,576)				(118,036,484)		(1,678,006,207)	(1,495,616)
7	CWIP							64,548		(64,548)				
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,770,149		(188,507)	(1,253,575)		10,319,409					
9	ADJUST PROPERTY TAXES				8,135,065	(406,753)	(2,704,909)							
10	ANNUALIZE INSURANCE EXPENSE		(573,215)			28,661	190,594							(71,652)
11	OPEB		197,699			(9,885)	(65,735)						(148,373)	24,712
12	TAX EFFECT OF ANNUALIZED INTEREST					2,459,054	16,352,710							
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,698)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)							(1,480,025)
14	FOSSIL FUEL INVENTORY										13,739,831			
15	TAX REFORM - CURRENT EXPENSE	(44,000,000)			(196,548)	(2,190,173)	(41,613,280)							
16	TAX REFORM - EXCESS DEFERRED AMORTIZATION	(23,000,000)			(102,741)	(1,144,863)	(21,752,396)					(6,000,000)	23,000,000	
TOTAL		(471,145,510)	(19,464,165)	27,115,820	5,278,385	(21,744,723)	(185,790,101)	(5,471,148)	8,086,313	(64,548)	(104,296,653)	(6,000,000)	(1,655,154,580)	(2,433,021)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description (Col. 1)	Requested (\$000's) (Col. 2)
1	Jurisdictional Rate Base	6,433,816,663
2	Required Rate of Return	8.18%
3	Required Return	526,286,203
4	Actual Return Earned	404,543,619
5	Required Increase to Return	121,742,584
6	Factor to Remove Customer Growth	1.004084
7	Additional Return Required from Revenue Increase	121,247,440
8	Composite Tax Factor	0.74715
9	Required Revenue Increase	162,279,917
10	Proposed Revenue Increase	162,279,917
Additional Expenses		
11	Gross Receipts Tax @ 0.4467%	724,904
12	State Income Tax @ 5%	8,077,751
13	Federal Income Tax @ 21%	32,230,225
14	Total Taxes	41,032,880
15	Additional Return	121,247,037
16	Additional Customer Growth	495,094
17	Total Additional Return	121,742,131
18	Earned Return	404,543,619
19	Total Return as Adjusted	526,285,750
20	Rate Base	6,433,816,663
21	Rate of Return	8.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF FIXED ASSETS - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
Gross Plant in Service					
1	Intangible Plant	78,405,819	-	78,405,819	76,746,944
2	Production	4,706,858,398	40,631	4,706,899,029	4,557,690,330
3	Transmission	1,597,292,477	-	1,597,292,477	1,544,022,773
4	Distribution	3,282,888,427	-	3,282,888,427	3,282,527,309
5	General	203,125,184	(73,086)	203,052,098	198,756,014
6	Common (1)	327,868,104	(5,556,514)	322,311,590	315,492,269
7	Total Gross Plant in Service	10,196,438,409	(5,588,969)	10,190,849,440	9,975,235,638
Construction Work in Progress					
8	Production	91,607,336	(43,631)	91,563,705	88,661,136
9	Transmission	179,302,306	-	179,302,306	173,322,574
10	Distribution	20,352,263	-	20,352,263	20,350,024
11	General	2,161,207	(22,782)	2,138,425	2,093,181
12	Intangible	45,267,595	-	45,267,595	44,309,844
13	Common (1)	1,893,793	-	1,893,793	1,853,726
14	Total Construction Work in Progress	340,584,501	(66,413)	340,518,088	330,590,484
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Production	2,210,492,070	1,628,585	2,212,120,655	2,141,996,430
2	Transmission	362,089,771	7,905,263	369,995,034	357,674,199
3	Distribution	1,029,365,366	1,393,364	1,030,758,730	1,030,645,347
4	General & Intangible Plant	154,852,942	(133,991)	154,718,951	151,186,246
5	Common (1)	<u>146,984,095</u>	<u>(2,450,904)</u>	<u>144,533,191</u>	<u>141,233,059</u>
6	Total	<u>3,903,784,244</u>	<u>8,342,317</u>	<u>3,912,126,561</u>	<u>3,822,735,281</u>

(1) Electric Portion

SOUTH CAROLINA ELECTRIC & GAS COMPANY
MATERIALS AND SUPPLIES - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Fuel Stock				
1	Nuclear	253,203,767	(123,018,743)	130,185,024	124,912,530
2	Fossil	<u>44,013,673</u>	<u>14,319,782</u>	<u>58,333,455</u>	<u>55,970,950</u>
3	Total Fuel Stock	297,217,440	(108,698,961)	188,518,479	180,883,480
4	Emission Allowances	636,699	-	636,699	610,913
5	Other Electric Materials and Supplies	<u>136,970,825</u>	<u>-</u>	<u>136,970,825</u>	<u>134,072,858</u>
6	Total	434,824,964	(108,698,961)	326,126,003	315,567,251

DEFERRED DEBITS / CREDITS - ELECTRIC
AT DECEMBER 31, 2017

7	Environmental	(450,300)	-	(450,300)	(437,683)
8	Wateree Scrubber Deferral - Ratebase Adj	18,082,559	-	18,082,559	17,509,342
9	Abandoned Nuclear Units	3,975,520,191	(2,825,081,645)	1,150,438,546	1,110,978,504
10	FASB 106 Rate Base Reduction	(119,484,881)	(152,490)	(119,637,371)	(116,407,162)
11	Pension Deferral - Rate Base Adj	39,561,677	-	39,561,677	38,493,512
12	Canadys Retirement - Rate Base Adj	78,662,284	-	78,662,284	76,168,689
13	Toshiba Settlement	(1,095,230,291)	1,095,230,291	-	-
14	Tax Deferrals	(630,021,600)	23,000,000	(607,021,600)	(593,665,142)
15	Total	2,266,639,639	(1,707,003,845)	559,635,795	532,640,059

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WORKING CAPITAL INVESTMENT - ELECTRIC
AT DECEMBER 31, 2017

		(\$000's)			
Line		Regulatory Per			
No.	Description	Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	118,803,511	(2,459,026)	116,344,485	112,700,615
2	Prepayments	<u>71,342,785</u>	<u>-</u>	<u>71,342,785</u>	<u>71,053,344</u>
3	Total Investor Advanced Funds	190,146,296	(2,459,026)	187,687,270	183,753,959
4	Less: Customer Deposits	(54,413,422)	-	(54,413,422)	(54,413,422)
5	Average Tax Accruals	(226,213,317)	-	(226,213,317)	(227,232,730)
6	Nuclear Refueling	(5,323,281)	-	(5,323,281)	(5,107,688)
7	Injuries and Damages	<u>(6,383,808)</u>	<u>-</u>	<u>(6,383,808)</u>	<u>(6,248,742)</u>
8	Total Working Capital	<u>(102,187,532)</u>	<u>(2,459,026)</u>	<u>(104,646,558)</u>	<u>(109,248,623)</u>

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AT DECEMBER 31, 2017

<u>Description</u> (Col. 1)	<u>Pro Forma Amount</u> (Col. 2) \$	<u>Pro Forma Ratio</u> (Col. 3) %	<u>As Adjusted</u>		<u>After Proposed Increase</u>	
			<u>Pro Forma Embedded Cost/Rate</u> (Col. 4) %	<u>Overall Cost/Rate</u> (Col. 5) %	<u>Pro Forma Embedded Cost/Rate</u> (Col. 6) %	<u>Overall Cost/Rate</u> (Col. 7) %
Long Term Debt	4,928,770,000	47.11%	5.86%	2.76%	5.86%	2.76%
Preferred Stock	100,000	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	<u>5,533,469,980</u>	<u>52.89%</u>	6.67%	<u>3.53%</u>	10.25%	<u>5.42%</u>
Total	10,462,339,980	100.00%		6.29%		8.18%

Exhibit (ING-4)

Act No. 258

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